

COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT

For the fiscal year
ended June 30, 2014

PRESCOTT

VERDE VALLEY

PRESCOTT VALLEY

CHINO VALLEY

SEDONA

**Yavapai County Community College District
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2014**

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Published and distributed by

The Office of Business Services

Yavapai College
1100 East Sheldon Street
Prescott, Arizona 86301
www.yc.edu

For the fiscal year
ended June 30, 2014

Yavapai
COLLEGE
life explored

INTRODUCTORY SECTION

December 12, 2014

The District Governing Board of Yavapai County Community College District:

The Comprehensive Annual Financial Report (CAFR) of the Yavapai County Community College District (the "District"), Prescott, Arizona for the fiscal year ended June 30, 2014, is submitted herewith.

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the District. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included. Please read the management's discussion and analysis in conjunction with the Vice President of Finance and Administrative Services and Director of Business Services/Controller's transmittal letter.

This report is prepared in accordance with generally accepted accounting principles (GAAP) and in conformance with standards of financial reporting as established by the Government Accounting Standards Board (GASB) using the guidelines as recommended by the Government Finance Officers Association of the United States and Canada (GFOA).

The District is required to undergo a single audit in conformity with the provisions of the Single Audit Act Amendments of 1996; the U.S. Office of Management and Budget Circular A-133; and Government Auditing Standards issued by the Comptroller General of the United States. Information related to this report, including the Schedule of Expenditures of Federal Awards and auditors' reports on internal controls and compliance with applicable laws and regulations will be available at a future date by contacting the Vice President of Finance and Administrative Services.

THE REPORTING ENTITY

The District is an independent reporting entity within the criteria established by GAAP and the GASB. Although the District shares the same geographic boundaries with Yavapai County, financial accountability over all activities related to public community college education in Yavapai County is exercised solely by the District. In accordance with GASB Statement No. 39, the financial reporting entity consists of a primary reporting entity and its component unit. The District is a primary government because it is a special-purpose political subdivision that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments.

The accompanying financial statements present the activities of the District and its component unit, the Yavapai College Foundation (Foundation). The Foundation is a legally separate, tax-exempt organization. Although the District does not control the timing or amount of receipts from the Foundation, the Foundation's restricted resources can only be used by, or for the benefit of, the District. Consequently, the Foundation is considered a component unit of the District and is discretely presented in the District's financial statements.

HISTORY

The District was established in 1966 under the Arizona Community College Law of 1966. During the first year of instruction, 1969-70, classes were held at various sites in Prescott. The first buildings were dedicated in February, 1970 on 100 acres in Prescott that were once part of historic Fort Whipple. To better serve the growing communities on the east side of Yavapai County, the Verde Valley Campus was established in 1975 on 120 acres in Clarkdale. Yavapai College education centers are located in Chino Valley, Prescott Valley, Sedona, and Cordes Junction, and include the Career & Technical Education Center, located near the Prescott Airport.

The District is accredited by the Higher Learning Commission of the North Central Association of Colleges and Schools and has been throughout its history. In March 2013, the District went through a full reaccreditation by the Higher Learning Commission and its status was reaffirmed with no recommendations reported. The next reaccreditation will be in 2023.

SERVICE AREA

Yavapai County, named for the Yavapai Native Americans ("Yavapai" means "The People of the Sun") is a land of extremes with a blend of the Old West and the contemporary. Yavapai County, one of the state's oldest counties, was among the original four counties created when Arizona was still a territory. The provisional seat of the Arizona territorial government was established at Fort Whipple on January 22, 1864. Yavapai County offers many local attractions ranging from natural to cultural to educational. Scenic pine forests provide year-round recreational opportunities. Museums, monuments, and rodeos reflect Arizona's tribal and territorial past.

The District serves a diverse student population in a rural area covering approximately 8,123 square miles (which is larger than the state of Massachusetts) with the 2013 estimated population (provided by the US Census Bureau) of 215,133 and a population density of 26 people per square mile.

ECONOMIC OUTLOOK

Yavapai County is located in the west central portion of the state. Its boundaries include the incorporated cities and towns of Camp Verde, Chino Valley, Clarkdale, Cottonwood, Dewey-Humboldt, Jerome, Prescott, Prescott Valley, and Sedona. The larger

unincorporated areas of the county include the communities of Ashfork, Bagdad, Black Canyon City, Congress, Crown King, Mayer, Paulden, Seligman, and Yarnell. Small business, light industry, service trades, ranching, mining, and tourism all contribute to the economy of Yavapai County. A growing retiree population will continue to produce population growth in Yavapai County over the next decade.

The state's revenue rate of growth slowed from the prior year and total tax collections decreased significantly, as expected, due to the expiration of the 1-cent sales tax enacted by Proposition 100 in May 2010. Another factor that could potentially negatively affect the fiscal year 2014-15 budget is the preliminary Maricopa County Superior Court ruling in the K-12 inflation litigation. This ruling could require the state to increase its K-12 spending by \$317 million. The consensus among Arizona economists continues to be for slow growth in regards to construction spending, population, and personal income which are all needed for the Arizona economy to grow.

Yavapai County's economic condition is similar to the state. The county is experiencing continued growth, albeit slow, in construction spending, employment and population. Property taxes provide the majority of funding for the District. We expect the growth in total assessed values to increase slightly into next fiscal year and the primary property tax levy to increase moderately due to new construction. Continued improvement in the housing market is expected but at a slower rate than in the past.

The District's operating funding from the state has remained stable for the past few years and is currently less than 2% of the total operating budget. For fiscal year 2014-15 the District received an additional \$802,900 for STEM and Workforce Programs, however, it's uncertain whether this appropriation will continue.

MAJOR PROGRAM INITIATIVES

Yavapai College has made strides during the past year in the areas of capital improvements, enrollment, and student achievement.

Capital Improvement Projects/Planned Maintenance

The District completed major renovations to two residence halls on the Prescott campus. Kachina residence hall was finished in the fall of 2013 and Marapai residence hall in the fall of 2014. Improvements included new heating and cooling units, new roofs, new floor coverings, interior and exterior paint, new furniture, extensive landscaping, renovated common areas and various ADA upgrades. The majority of the projects were funded with revenue bond proceeds.

The District is building the Southwest Wine Center on the Verde campus. The Southwest Wine Center will be an academic center supporting wine growers throughout the southwest US. The Center will serve as a hub of education, research and rural economic development activity designed to support a young viticulture industry in achieving its potential as a significant US wine producing region. Construction was completed in the fall of 2014. The

project was funded with a combination of donations from the Yavapai College Foundation and the District's Future Capital Projects Accumulation monies.

In early summer the District began a project to replace the existing Tennis Courts and Low Water Crossing on the Prescott campus. The existing tennis courts were nearly 40 years old and well beyond their useful life. The new courts were completed in the fall of 2014 and will provide students and community members many years of quality playtime. The Tennis Courts and Low Water Crossing projects were funded from a combination of private contributions and the District's Future Capital Projects Accumulation account.

The District is in the initial stages of implementing its ten year Capital Improvement Plan. A master site plan for each of the campuses/centers was developed which included facility, infrastructure and land development improvements to accommodate projected growth over the next ten years. Projects that will begin during fiscal year 2014-15 include renovations to Buildings 1 and 3 on the Prescott campus, renovations to the Career and Technical Education Center and the purchase of contiguous land to the Sedona Center for the addition of a parking lot.

Enrollment

The fiscal year was characterized by steady enrollment with nearly 16,000 students attending credit and non-credit classes. Individual programs with FTSE growth of 15% or greater include Allied Health Services, American Sign Language, Automotive, Aviation, Electronics Technology, Emergency Medical Services, Environmental Studies, Geology, Nutrition, Viticulture and Enology and Welding.

Student Achievement

Student accomplishments continue to be our most important gauge of success. Four students were named to the 2014 All-Arizona Academic Team. All-Arizona Academic Team members receive tuition waivers to an Arizona University of their choice, courtesy of the Arizona Board of Regents. A nursing graduate received the 2014 Jack Kent Cooke Foundation Undergraduate Transfer Scholarship that will provide her with up to \$30,000 a year to pursue her bachelor's degree at the university of her choice. Only 85 such scholarships were awarded this year out of 3,705 applicants. A total of 1,469 students earned degrees or certificates which represents an increase of 3% over the previous year. Throughout the course of the academic year, 64 students received the Law Enforcement and Corrections certificate, 106 students received an Emergency Medical Technician certificate, 150 students received the Nursing Assistant certificate, and 84 students completed all requirements of the Nursing Program. In addition, approximately 81 students completed studies and passed the exam to earn a high school equivalency diploma.

FUTURE PROGRAM INITIATIVES

Beginning in the fall of 2014 the District began offering several new certificates including Athletic Coaching, Canine Care and Handling, Electric Utility Technology, Therapy and

Service Dog Team Skills, Gas Medal Arc Welding, Gas Tungsten Arc Welding and a Pipe Welding. These new certificate programs will prepare students for various careers in these industries through a combination of lecture, group discussion and hands on skill building experiences.

Academic program reviews will be performed in all instructional degree and certificate programs.

FINANCIAL INFORMATION

Effective management of these funds through internal controls, budgetary controls, cash management, and financial reporting fulfills the District's responsibilities for stewardship, safeguarding of assets, and accountability to resource providers.

Internal Controls

In developing and evaluating the District's accounting system, consideration is given to the adequacy of internal controls. Internal controls are designed to provide reasonable, but not absolute assurance regarding the safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and that the evaluation of costs and benefits requires estimates and judgments from management.

All internal control evaluations occur within the above framework. We believe that the District's internal controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Budgetary Controls

The District maintains budgetary controls in the form of detailed budgets and budget transfer restrictions by fund, department and account. On a monthly basis the District presents various financial reports to the District Governing Board including a report of revenues, expenditures and budgets by fund, a narrative discussing budget deviations by fund and a report comparing the current reserve levels to the District's required reserves. The objective of these budgetary controls is to ensure compliance with the annual budget and to fulfill the requirements of the District Governing Board's monitoring reports.

The District complies with state statutes requiring that a report of the District's adopted budget be published annually with the prescribed format as required by the State of Arizona, Office of the Auditor General. The District also demonstrates compliance by issuance of an annual budgeted expenditure limitation report that is examined by the Office of the Auditor General. The expenditure limitation calculation determines the maximum allowable expenditure supported by state appropriations and property tax levies.

Cash Management

The District is governed by the Arizona Revised Statutes relating to the overall investment of idle public funds. The fiduciary responsibility of such investments is entrusted to the District Governing Board and facilitated through the Vice President of Finance and Administrative Services.

The District invests idle funds in a prudent, conservative, and secure manner for the highest yield as prescribed by Arizona Revised Statutes. The District has maintained a cash-forecasting program to obtain the highest yield on idle cash. The principal investment vehicle used during the fiscal year has been the County Treasurer's investment pool and a collateralized savings account with Wells Fargo. Both have provided the District with safe liquid investments.

Financial Reporting

The Comprehensive Annual Financial Report (CAFR) for the District was formulated with data from several sources including District records and the Yavapai County Treasurer and Assessor Offices. These statements present information on the financial condition of the District and determine whether resources were adequate to cover the costs of providing services during the reporting period. The District's CAFR is distributed to the District Governing Board and executive management, Federal and State agencies, and financial institutions, as well as others throughout the general public. Internal management reports are customized and provided to meet the information and decision-making needs at all levels of the organization and to aid management in the allocation of resources.

The Notes to the Financial Statements are an integral part of this Comprehensive Annual Financial Report and should be read for a full understanding of the financial information presented within.

RISK MANAGEMENT

The District maintains a full complement of insurance coverage in accordance with Arizona Revised Statutes. Liability coverage is carried on a broad basis, including errors and omissions and "wrongful acts" coverage and is maintained with the policy limits in excess of \$50,000,000. Property coverage is maintained on a replacement value basis in accordance with an agreed upon schedule of values. Additional coverage includes: auto fleet liability, crime and fidelity coverage, cyber liability, boiler and machinery insurance, workers' compensation, and student accident coverage.

District Finance, Human Resources and Facilities are dedicated to the risk management function and are actively working to minimize the cost of funding risks through the implementation of safety and loss procedures.

INDEPENDENT AUDIT

The Office of the Auditor General for the State of Arizona conducts the annual financial audit for the District. Testing procedures determine whether the financial statements are free of material misstatement and ensure compliance with Arizona Revised Statutes that require an annual audit of the District's financial statements. The Auditor General's Independent Auditors' Report is included in this document. For the fiscal year ending June 30, 2014, the District received an unqualified opinion.

GFOA CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Yavapai County Community College District for its comprehensive annual financial report for the fiscal year ended June 30, 2013. This was the fourteenth consecutive year that the District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

The preparation of this report could not be accomplished without the efficient and dedicated efforts of the Business Office staff. We would like to express our appreciation to all those who assisted in, and contributed to, the preparation of this report.

Respectfully submitted,

Clint Ewell
Vice President of Finance and Administrative
Services

Frank D'Angelo
Director of Business Services/Controller



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Yavapai County
Community College District
Arizona**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT

PRINCIPAL OFFICERS

June 30, 2014

DISTRICT GOVERNING BOARD

Mr. Ray Sigafos, *Chair, District 1*

Dr. Patricia McCarver, *Secretary, District 4*

Dr. Dale Fitzner, *District 5*

Mr. Albert Filardo, *District 3*

Mr. Herald Harrington, *District 2*

PRESIDENT

Dr. Penelope Wills

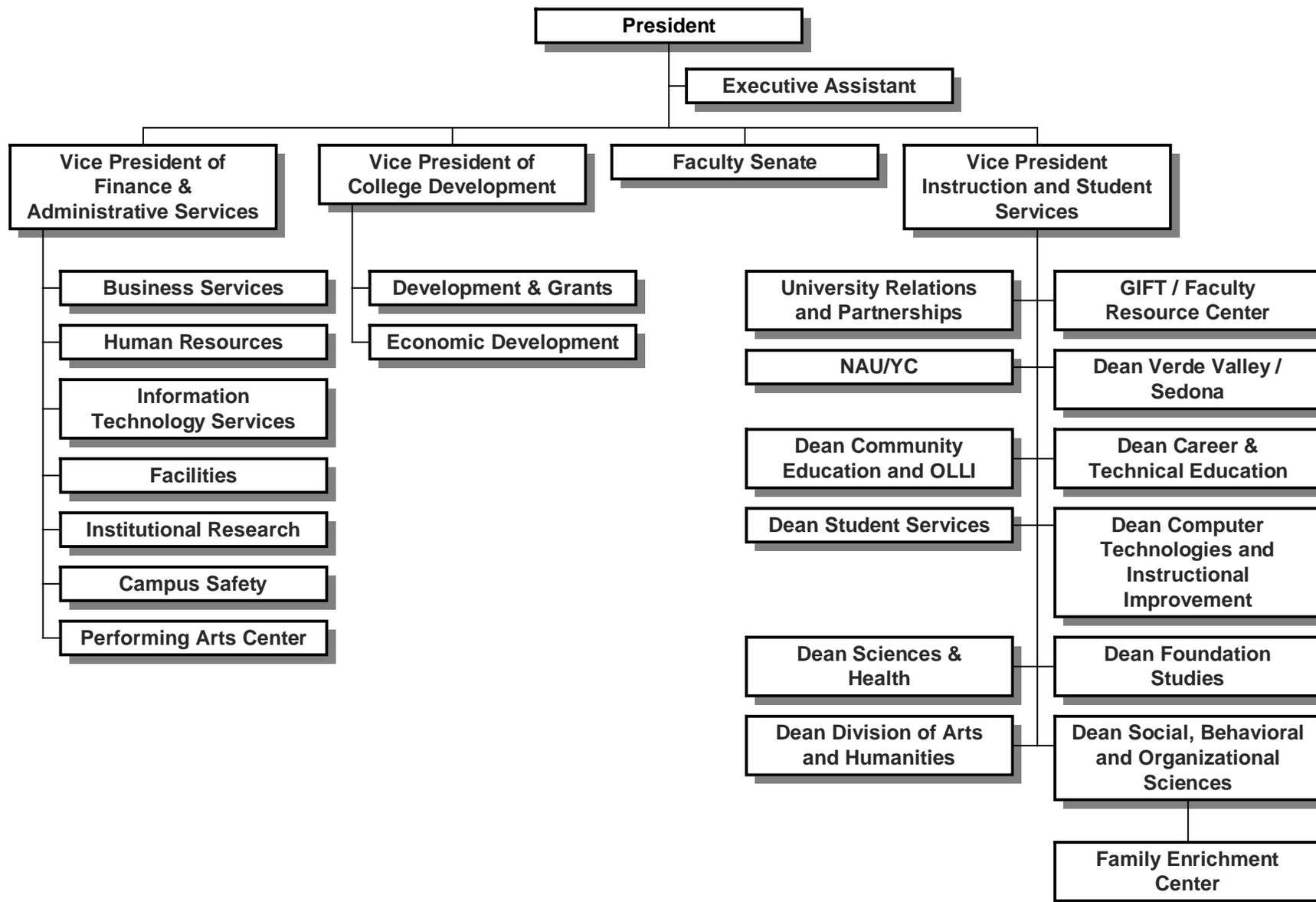
ADMINISTRATION

Dr. Stuart Blacklaw, *Vice President of Instruction and Student Support Services*

Dr. Clint Ewell, *Vice President of Finance and Administrative Services*

Yavapai County Community College District

Organizational Chart as of June 30, 2014



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**FINANCIAL
SECTION**



DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

Independent Auditors' Report

Members of the Arizona State Legislature

The Governing Board of
Yavapai County Community College District

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of the Yavapai County Community College District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the report of the other auditors. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the discretely presented component unit were not audited by the other auditors in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component unit of Yavapai County Community College District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 15 through 22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory and statistical sections listed in the table of contents are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we will issue our report on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters at a future date. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Debbie Davenport
Auditor General

December 12, 2014

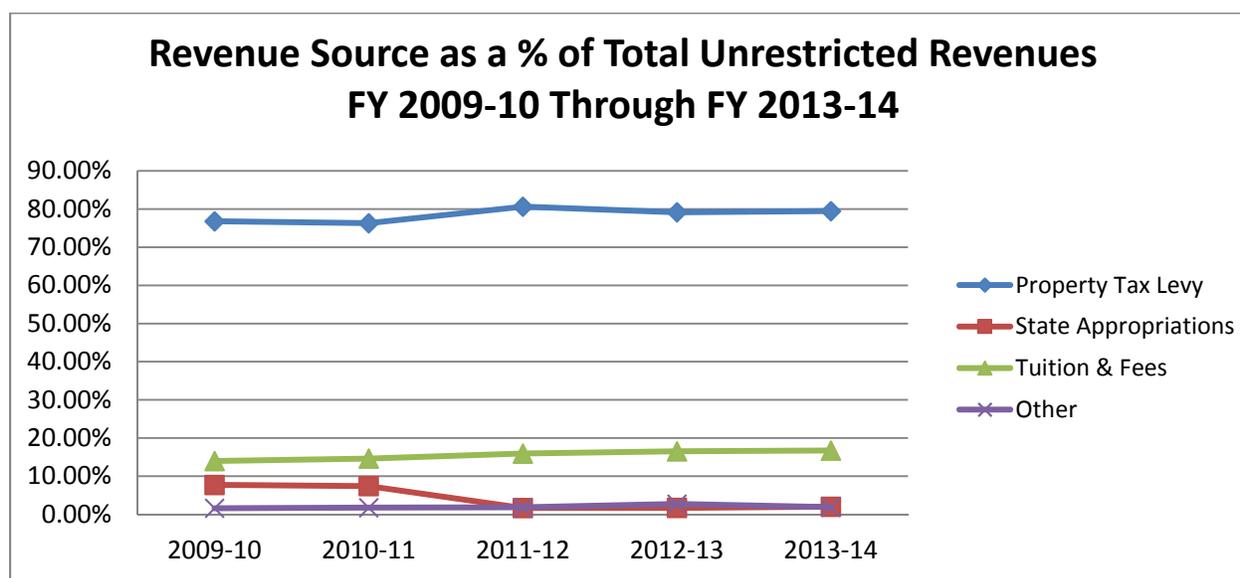
MANAGEMENT’S DISCUSSION and ANALYSIS

This section of the Yavapai County Community College District (the “District”), Comprehensive Annual Financial Report (CAFR) presents management’s discussion and analysis of the District’s financial performance during the fiscal year ended June 30, 2014. This management’s discussion and analysis is designed to focus on current activities, resulting change and current known facts. Please read it in conjunction with the Vice President of Finance and Administrative Services and Director of Business Services/Controller’s letter of transmittal beginning on page 1 and the basic financial statements beginning on page 23.

The accompanying financial statements present the activities of the District and its component unit, the Yavapai College Foundation (Foundation). The Foundation is a legally separate, tax-exempt organization. Although the District does not control the timing or amount of receipts from the Foundation, the Foundation’s restricted resources can only be used by, or for the benefit of, the District. Consequently, the Foundation is considered a component unit of the District and is discretely presented in the District’s financial statements.

Financial Highlights

Consistent with its mission to provide effective learning environments, instruction is the primary function of the District. Major funding sources supporting all functions include property taxes and tuition and fees. The District exercises primary and secondary tax levy authority for generation of funds for operating, capital equipment and improvements, and debt retirement purposes. Total Unrestricted Revenues and the mix of funding sources have been fairly consistent over the last few years, subsequent to the state’s significant appropriation reduction beginning in fiscal year 2011-12.



The assets of the District exceeded its liabilities at the close of the fiscal year by \$108,409,956. Of this amount, \$20,110,656 may be used to meet the District's ongoing obligations to provide educational services.

The District's net position increased from the prior year by \$11,142,067. Net investment in capital assets increased by \$8,324,354 (10.7%). Restricted net position increased by \$37,259 (2.1%) and unrestricted net position increased by \$2,780,454 (16.0%).

The condensed financial information that follows highlights the main categories of the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position.

Basic Financial Statements

The basic financial statements consist of the following:

The Statement of Net Position reflects the financial position of the District at June 30, 2014. It shows the various assets owned or controlled, deferred outflows of resources, related liabilities and other obligations, deferred inflows of resources, and the various categories of net position. Net position is an accounting concept defined as the difference between 'assets and deferred outflows of resources' and 'liabilities and deferred inflows of resources'. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position reflects the results of operations for the fiscal year ended June 30, 2014. It shows the various revenues and expenses, both operating and nonoperating, reconciling the beginning net position amount to the ending net position amount. This is shown on the Statement of Net Position described above.

The Statement of Cash Flows reflects the cash inflows and outflows of cash and cash equivalents for the year ended June 30, 2014. It shows the various cash activities by type, reconciling the beginning cash and cash equivalents amount to the ending cash and cash equivalent amount – which is shown on the Statement of Net Position described above. In addition, this statement reconciles cash flows from operating activities to operating loss on the Statement of Revenues, Expenses, and Changes in Net Position described above.

Condensed Financial Information

The condensed financial information below highlights the main categories of the Statement of Net Position. Assets are distinguished between capital and current or noncurrent assets and liabilities are distinguished between long-term liabilities and other liabilities. Net position is divided into three categories reflecting the institutional equity in assets by broad characteristics. In addition to the District's capital assets, the District holds resources that have been restricted by external parties for specific programs or purposes. The remaining portion of net position is unrestricted and dedicated to the primary mission of the District

Condensed Statement of Net Position

	<u>6/30/2014 *</u>	<u>6/30/2013</u>
Assets:		
Current assets	\$ 31,418,367	\$ 27,137,113
Noncurrent assets, other than capital assets	262,573	5,268,310
Capital assets, net of depreciation	<u>134,918,140</u>	<u>127,710,063</u>
Total assets	<u>166,599,080</u>	<u>160,115,486</u>
Deferred Outflows of Resources	<u>1,685,875</u>	<u>1,854,463</u>
Liabilities:		
Other liabilities	7,714,546	7,141,695
Long-term liabilities	<u>52,160,453</u>	<u>55,705,902</u>
Total liabilities	<u>59,874,999</u>	<u>62,847,597</u>
Net Position:		
Net investment in capital assets	86,471,782	78,147,428
Restricted net position	1,827,518	1,790,259
Unrestricted net position	<u>20,110,656</u>	<u>17,330,202</u>
Total net position	<u>\$108,409,956</u>	<u>\$97,267,889</u>
<p><i>* The implementation of GASB No. 65 during fiscal year 2014 resulted in a new category, Deferred Outflows of Resources, and a restatement of beginning net position. June 30, 2013 amounts were restated for comparative purposes.</i></p>		

Current assets increased by \$4,281,254 as a result of increased cash and cash equivalents being offset by a reduction in student and grant receivables. The use of revenue bond proceeds for the residence hall renovations caused the noncurrent assets, other than capital assets, to significantly decrease. The increase in capital assets, net of depreciation, was attributable primarily to spending bond proceeds and other monies reserved for capital assets on construction in progress, building renovations and equipment purchased during the fiscal year, offset by depreciation.

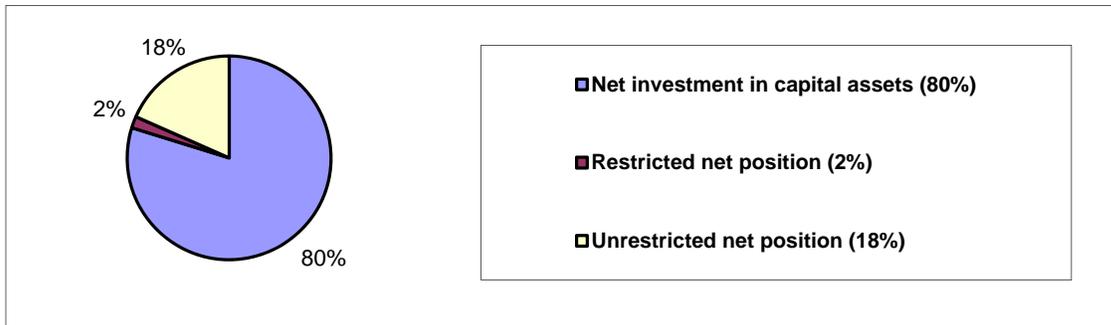
The deferred outflows of resources resulted from the issuance of the 2012 General Obligation Refunding bonds. It's the difference between the net carrying amount of the old debt and the reacquisition price of the new debt, amortized as a component of interest expense. With the implementation of GASB No. 65, this item which was previously accounted for as part of long-term liabilities, is now the deferred outflows of resources.

The increase in other liabilities was primarily accredited to an increase in retainage payable related to construction contracts and accrued payroll at year-end. The decrease in long-term liabilities was a result of principal payments made on general obligation bonds, pledged revenue obligations, revenue bonds and capital leases.

The District's net investment in capital assets increased by \$8,324,354 over the previous fiscal year. This increase was attributable to the addition of equity in the

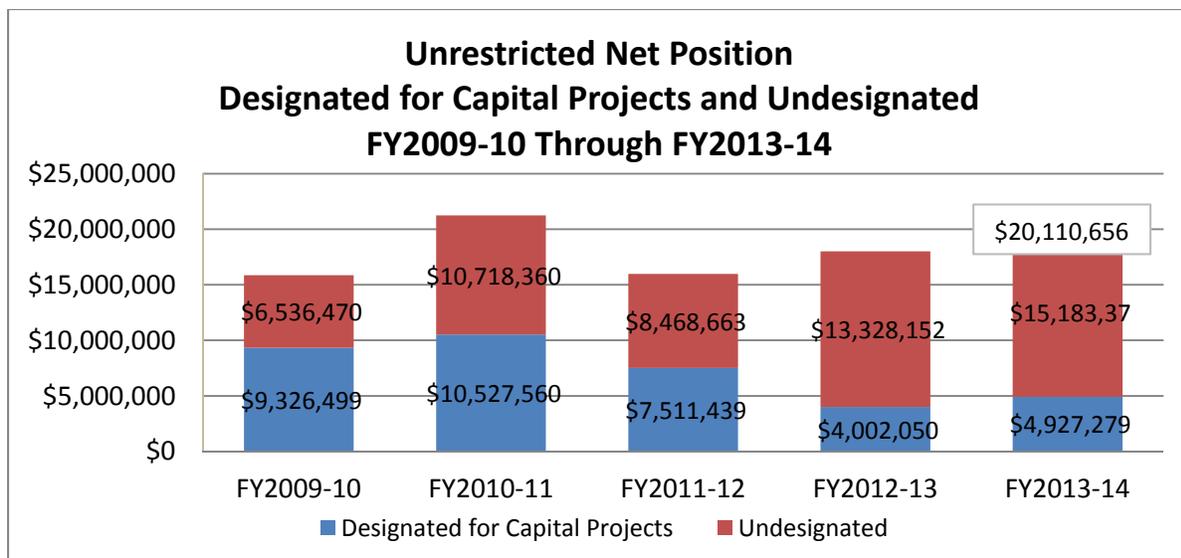
District's capital assets over the previous year and the reduction of debt acquired to pay for these assets. Restricted net position increased slightly from the prior fiscal year due to grant revenues exceeding expenditures. The District had several grants that allowed for the carryover of unspent monies to future fiscal years. The increase in unrestricted net position of \$2,780,455 was primarily attributed to the operating and facility contingency budgets which were not used during the fiscal year, a healthcare premium holiday in January, vacancy savings and other non-labor expense related savings.

**Net Position
As of June 30, 2014**



As noted earlier, net position reflects the financial position of the District. The largest portion of the District's net position (80 percent) reflects the investment in capital assets (e.g., land, buildings, improvements other than buildings, etc.), net of depreciation and less any related debt used to acquire those assets still outstanding. The District uses these assets to provide services to students; consequently, these assets are not available for future spending.

An additional portion of the District's net position (2 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$20,110,656 may be used to meet the District's ongoing mission to the public. The District's Governing Board has designated a portion of the unrestricted net position to be used for capital projects. The following graph illustrates the breakdown between designated and undesignated.



The condensed financial information below highlights the main categories of the Statement of Revenues, Expenses, and Changes in Net Position.

Condensed Statement of Revenues, Expenses, and Changes in Net Position

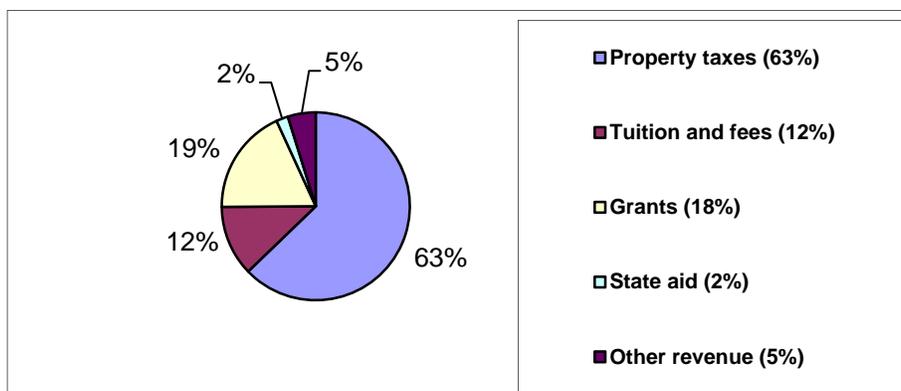
	<u>Year Ended</u>	
	<u>6/30/2014 *</u>	<u>6/30/2013</u>
Revenues		
Operating:		
Tuition and fees	\$ 8,799,116	\$ 8,610,225
Other	1,900,331	2,371,101
Nonoperating:		
Property taxes	45,571,425	45,270,751
Government grants	13,241,015	13,332,275
State aid	1,491,121	1,491,114
Private grants and gifts	761,844	841,367
Investment earnings	91,630	61,214
Gain on disposal of capital assets	8,389	2,432
Total revenues	<u>71,864,871</u>	<u>71,980,479</u>
Expenses		
Operating:		
Educational and general:		
Instruction	17,783,284	17,655,723
Public service	1,499,841	1,319,994
Academic support	4,211,551	4,114,700
Student services	5,886,627	5,139,128
Institutional support	8,759,934	8,161,909
Operation and maintenance of plant	6,177,478	5,847,012
Scholarships	8,180,284	7,792,260
Auxiliary enterprises	1,472,356	2,795,291
Depreciation	5,780,151	5,113,014
Other	-	68,974
Total operating expenses	<u>59,751,506</u>	<u>58,008,005</u>
Nonoperating		
Interest expense on debt	<u>1,695,668</u>	<u>1,737,933</u>
Total expenses	<u>61,447,174</u>	<u>59,745,938</u>
Income before other revenues, expenses, gains, or losses	10,417,697	12,234,541
Capital revenues	<u>724,370</u>	<u>4,136</u>
Increase in net position	11,142,067	12,238,677
Net position, restated, beginning of year	<u>97,267,889</u>	<u>85,029,212</u>
Net position, end of year	<u>\$108,409,956</u>	<u>\$97,267,889</u>
<p>* Net position as of July 1, 2013, was restated as a result of the implementation of GASB Statement No. 65. See Notes to Financial Statements – Note 2 on page 33 for more information.</p>		

Revenues are separated into two categories -- operating and nonoperating. For a description of the difference between operating and nonoperating, please refer to the Summary of Significant Accounting Policies (Note 1).

The District shows an operating loss reflective of the fact that three of the four main revenue sources -- property taxes, government grants and state aid -- are considered nonoperating revenues.

Overall revenues increased from the previous fiscal year by \$604,626. Tuition and fee revenues increased by 2.2% due to a 2.9% base tuition rate increase being offset by lower aviation program revenue. Aviation program tuition decreased as a result of the revenue distribution formula being modified between the District and its aviation partners. Property taxes increased slightly due to new construction. Lastly, capital revenues increased by \$720,234 due to \$471,634 of donations and \$248,600 of capital outlay monies received from the state. The last time the District received capital outlay monies from the state was in fiscal year 2009. These increases were off-set by moderate decreases in other and private grant revenues.

Revenues by Source Fiscal Year 2014

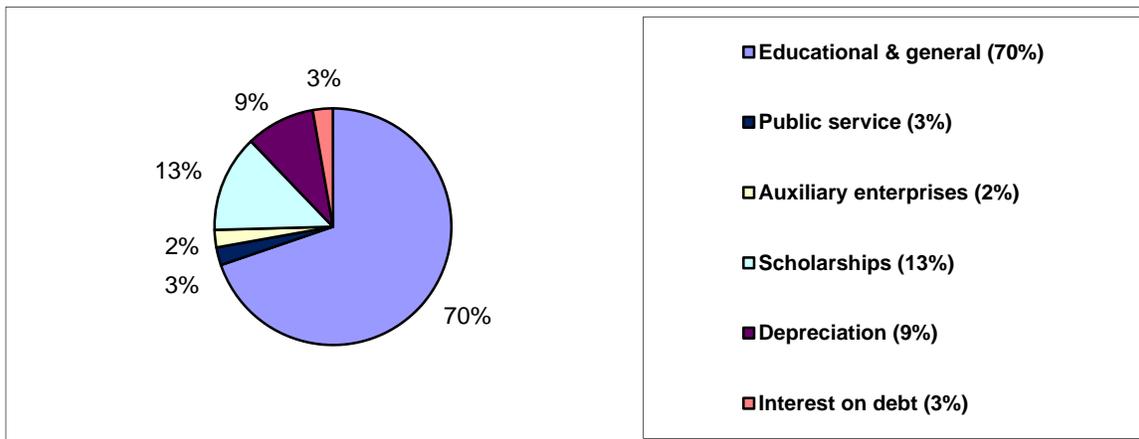


Depreciation expense is recorded in accordance with the adoption of the full accrual basis of accounting. The construction and acquisition of capital assets, although budgeted and tracked as an expenditure in the accounting system, is not reflected as an expense in these statements. Such transactions are reported as an asset with the systematic allocation of such costs expensed over the useful life of the asset constructed or acquired.

Overall, expenses increased over the previous fiscal year by \$1,701,236. The majority of this increase was due to depreciation expense, annual salary and related fringe increases and Pell awards made to students. The \$179,847 or 13.6% increase in public service expenses was a result of the new Regional Economic Development Center (REDC) and increased operating expenses related to Community Events, including first time programming at the Verde campus. Beginning this fiscal year the athletic programs were moved from auxiliary enterprises to student services in accordance with the NACUBO guidelines for non-self-supporting athletic programs. This classification change caused student services expenses to increase 14.5% and also contributed to auxiliary enterprises decreasing by 47.3% from the prior year. The other factor that

caused this decrease was less facility and administrative overhead being allocated to auxiliary enterprises from institutional support. This occurrence, along with the annual raises discussed above, had the opposite effect on institutional support expenses which increased by 7.3% from the prior year.

Expenses by Function Fiscal Year 2014



Capital Assets and Debt Management

The District had a few major capital projects in progress at the end of the fiscal year including the building of the Southwest Wine Center on the Verde campus, a complete renovation of Marapai residence hall and the replacement of the tennis courts and low water crossing on the Prescott campus. All of the projects were completed by the fall of 2014. Additionally, earlier in the fiscal year, a complete renovation of Kachina residence hall was completed along with improvements to various buildings within the District.

The renovation of the Kachina and Marapai residence halls was mostly funded from revenue bond proceeds with the remainder expended from the Future Capital Projects Accumulation account. The Southwest Wine Center and the tennis court replacement projects were funded from a combination of private contributions and the District's Future Capital Projects Accumulation account.

Equipment, along with all other capital assets (except land and construction in progress), is reported net of accumulated depreciation in accordance with the reporting standards issued by GASB. This has the effect of reducing the book value of capital assets. Depreciation totaled \$5,780,151 for the year and is shown as an operating expense on the Statement of Revenues, Expenses, and Changes in Net Position. Additional information on the District's capital assets can be found in Note 5 to the basic financial statements.

The District's general obligation bond debt issues are rated Aa2 by Moody's Investors Service and AA- by Standard & Poors. These high quality ratings are a result of the District's diverse tax base, solid financial policies and performance, including operating surpluses for the past several years and a low debt burden. The pledged revenue

obligations are rated A2 by Moody's Investors Service and A by Standard & Poors. During the fiscal year, there have been no adverse changes in credit ratings or debt limitations that may affect future financing for the District.

During fiscal year 2013-14, the District reduced its outstanding long-term debt by \$5,408,202. Long-term debt outstanding at June 30, 2014, is as follows:

Description	Original Amount	Maturity Ranges	Interest Rates	Outstanding Principal
General obligation bonds				
GO Refunding 2011	9,640,000	7/1/15-21	3.00–5.00%	6,240,000
GO Refunding 2012	28,450,000	7/1/15-24	2.00–4.25%	26,430,000
Pledged revenue obligations				
Series 2011	14,000,000	7/1/15-25	4.00–5.00%	11,270,000
Revenue Bond				
Series 2013	5,000,000	7/1/15-28	2.45%	4,725,000
Capital leases				
Various	361,509	10/15/14	5.15%	40,505

Additional information on the District's outstanding debt can be found in Note 6 to the basic financial statements.

Request for Information

This discussion and analysis is designed to provide a general overview of the finances for the Yavapai County Community College District to all those with an interest in such matters. Questions concerning any of the information provided in this Comprehensive Annual Financial Report or requests for additional financial information should be addressed to the Office of Business Services, Yavapai College, 1100 East Sheldon Street, Prescott, AZ 86301.

**YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT
(YAVAPAI COLLEGE)
Statement of Net Position - Primary Government
June 30, 2014**

	Business Type Activities
ASSETS:	
Current assets:	
Cash and cash equivalents	\$ 27,792,805
Receivables (net of allowances for uncollectibles)	
Accounts	823,820
Property taxes	1,167,481
Government grants and contracts	596,517
Student loans, current portion	185,520
Other	320,584
Prepaid expenses	444,471
Prepaid insurance	87,169
Total current assets	<u>31,418,367</u>
Noncurrent assets:	
Restricted assets:	
Property taxes receivable (net of allowances for uncollectibles)	141,071
Student loans receivable	116,482
Other receivables	5,020
Capital assets, not being depreciated	11,488,393
Capital assets, being depreciated, net	123,429,747
Total noncurrent assets	<u>135,180,713</u>
Total assets	<u>166,599,080</u>
Deferred Outflows of Resources	
Deferred charge on debt refunding	1,685,875
Total deferred outflows of resources	<u>1,685,875</u>
LIABILITIES:	
Current liabilities:	
Accounts payable	4,157,358
Retainage payable	395,637
Accrued payroll and employee benefits	1,656,837
Deposits held in custody for others	287,092
Unearned revenues	1,162,122
Dormitory deposits	55,500
Current portion of compensated absences payable	120,223
Current portion of long-term debt	5,540,740
Current portion of other long-term liabilities	21,962
Total current liabilities	<u>13,397,471</u>
Noncurrent liabilities:	
Compensated absences payable	1,324,250
Long-term debt	45,069,909
Other	83,369
Total noncurrent liabilities	<u>46,477,528</u>
Total liabilities	<u>59,874,999</u>
NET POSITION:	
Net Investment in capital assets	86,471,782
Restricted:	
Nonexpendable:	
Student loans	516,894
Expendable:	
Grants and contracts	346,307
Debt service	964,317
Unrestricted	20,110,656
Total net position	<u>\$ 108,409,956</u>

See accompanying notes to financial statements.

**YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT
(YAVAPAI COLLEGE)
Statement of Financial Position - Component Unit
June 30, 2014**

	Yavapai College Foundation
ASSETS:	
Current assets:	
Cash and cash equivalents	\$ 399,748
Restricted cash	225,236
Promises to give, current portion	89,194
Prepaid expenses	8,037
Total current assets	722,215
Promises to give, net of current portion	43,075
Property and equipment, net	247,332
Investments	11,077,245
Properties held for sale	330,000
Other assets	18,500
Beneficial interest in perpetual trust	389,733
Total assets	\$ 12,828,100
LIABILITIES AND NET ASSETS:	
Accounts payable	\$ 6,259
Due to Yavapai College	123,481
Scholarships payable	299,223
Deferred revenue	63,804
Total current liabilities	492,767
NET ASSETS	
Unrestricted:	
Undesignated	694,500
Designated	509,065
Total unrestricted	1,203,565
Temporarily restricted	3,169,281
Permanently restricted	7,962,487
Total net assets	12,335,333
Total liabilities and net assets	\$ 12,828,100

See accompanying notes to financial statements.

**YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT
(YAVAPAI COLLEGE)
Statement of Revenues, Expenses, and Changes in Net Position - Primary Government
For the Fiscal Year Ended June 30, 2014**

	Business Type Activities
Operating revenues:	
Tuition and fees (net of scholarship allowances of \$3,241,324)	\$ 8,799,116
Bookstore income	211,418
Dormitory rentals (net of scholarship allowances of \$238,687)	619,166
Other	1,069,747
Total operating revenues	10,699,447
Operating expenses:	
Educational and general:	
Instruction	17,783,284
Public service	1,499,841
Academic support	4,211,551
Student services	5,886,627
Institutional support	8,759,934
Operation and maintenance of plant	6,177,478
Scholarships	8,180,284
Auxiliary enterprises	1,472,356
Depreciation	5,780,151
Total operating expenses	59,751,506
Operating income (loss)	(49,052,059)
Nonoperating revenues (expenses):	
Property taxes	45,571,425
State appropriations	893,900
Government grants	13,241,015
Share of state sales taxes	597,221
Private grants and gifts	761,844
Investment earnings	91,630
Interest expense on debt	(1,695,668)
Gain on disposal of capital assets	8,389
Total nonoperating revenues (expenses)	59,469,756
Income before other revenues, expenses, gains or losses	10,417,697
Capital appropriations	248,600
Capital grants and gifts	475,770
Increase in net position	11,142,067
Net position, beginning of year, as restated	97,267,889
Net position, end of year	\$ 108,409,956

See accompanying notes to financial statements.

**YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT
(YAVAPAI COLLEGE)
Statement of Activities - Component Unit
For the Fiscal Year Ended June 30, 2014**

	Yavapai College Foundation
Revenue and other support:	
Contributions and grants	\$ 1,641,846
Program service income	3,230
YCPAC events	623,874
Rental income	143,400
Investment return	1,234,693
Change in fair value of perpetual trust	35,862
	3,682,905
Special events:	
Revenues from special events	11,033
Costs of direct donor benefits	(55)
Gross profit on special events	10,978
Total revenue and other support	3,693,883
Operating expenses:	
Program expenses	
Grants and scholarships	393,417
YCPAC events	635,247
Osher Endowment for Osher Lifelong Learning Institute	96,994
Yavapai College tennis courts improvement project	158,317
Vineyard/winery project	137,257
Foundation Auxiliaries	23,299
Other programs	446,251
Total program expenses	1,890,782
Supporting expenses	
Administration	127,046
Fundraising	61,795
Depreciation of rental property	9,043
Total supporting expenses	197,884
Total operating expenses	2,088,666
Change in net assets	1,605,217
Net assets - beginning of year	10,730,116
Net assets - end of year	\$ 12,335,333

See accompanying notes to financial statements.

**YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT
(YAVAPAI COLLEGE)
Statement of Cash Flows - Primary Government
For the Fiscal Year Ended June 30, 2014**

CASH FLOWS FROM OPERATING ACTIVITIES:	Business Type Activities
Tuition and fees	\$ 10,695,275
Bookstore receipts	211,390
Dormitory rentals	616,016
Collection of loans to students	34,976
Other receipts	1,328,517
Payments to suppliers and providers of goods and services	(11,685,069)
Payments for employee wages and benefits	(33,822,022)
Loans issued to students	(8,846)
Scholarship payments to students	(8,180,284)
Net cash used for operating activities	(40,810,047)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Property taxes	45,733,231
Grants	13,722,546
State appropriations	893,900
Share of state sales taxes	597,221
Private gifts	761,844
Federal direct lending receipts	7,342,490
Federal direct lending disbursements	(7,220,965)
Deposits held in custody for others received	617,593
Deposits held in custody for others disbursed	(608,561)
Net cash provided by noncapital financing activities	61,839,299
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Capital appropriations	248,600
Capital grants and gifts	328,843
Proceeds from sale of capital assets	8,389
Principal paid on capital debt	(5,207,966)
Interest paid on capital debt	(1,771,193)
Purchases of capital assets	(12,651,809)
Net cash used for capital and related financing activities	(19,045,136)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received on investments	91,630
Net cash provided by investing activities	91,630
Net increase in cash and cash equivalents	2,075,746
Cash and cash equivalents, beginning of year	25,717,059
Cash and cash equivalents, end of year	\$ 27,792,805
	(Continued)

See accompanying notes to financial statements.

**YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT
(YAVAPAI COLLEGE)
Statement of Cash Flows - Primary Government
For the Fiscal Year Ended June 30, 2014
(Continued)**

Reconciliation of operating loss to net cash used for operating activities:	Business Type Activities
Operating loss	\$ (49,052,059)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation expense	5,780,151
Provision for uncollectible accounts	168,677
Changes in assets and liabilities:	
Increase in prepaid expenses	(47,283)
Increase in compensated absences	40,955
Increase in unearned revenues	148,392
Increase in accrued payroll and employee benefits	184,678
Decrease in accounts receivables	1,731,323
Decrease in student loan receivables	26,130
Decrease in other receivables	272,254
Decrease in accounts payable	(27,450)
Decrease in dormitory deposits	(3,150)
Decrease in other liabilities	(32,665)
Net cash used for operating activities	<u>\$ (40,810,047)</u>

Noncash investing, capital, and noncapital financing activities:

Amortization of prepaid bond insurance costs

The District amortized \$7,924 of prepaid bond insurance costs.

Gifts of depreciable assets

The District recorded the receipt of gifts of depreciable assets of \$146,927.

Amortization of premium on bonds and deferred charges

The District amortized \$187,905 of bond premiums, \$12,331 of pledged revenue obligation premiums and (\$168,588) of deferred charges.

Restatement of beginning net position for retroactive adjustment of prepaid bond issuance costs

In accordance with the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the District restated the beginning net position by (\$680,220) of prepaid bond issuance costs.

See accompanying notes to financial statements.

**YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT
(YAVAPAI COLLEGE)
Notes to Financial Statements
June 30, 2014**

Note 1 - Summary of Significant Accounting Policies

Yavapai County Community College District's accounting policies conform to generally accepted accounting principles applicable to public institutions engaged only in business-type activities adopted by the Governmental Accounting Standards Board (GASB).

For the year ended June 30, 2014, the District implemented the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 65 reclassifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources and recognizes certain other items that were previously reported as assets and liabilities as revenues or expenses.

Reporting Entity

The District is a special-purpose government that is governed by a separately elected governing body. It is legally separate and fiscally independent of other state and local governments. The accompanying financial statements present the activities of the District (the primary government) and its discretely presented component unit, the Yavapai College Foundation.

The Yavapai College Foundation (the Foundation) is a legally separate, tax-exempt organization, formed in the State of Arizona in 1971. The Board of Directors for the Foundation is elected from the general membership at the annual meeting. The term of office for each board member is three years with overlapping terms. It acts primarily as a fund-raising organization that receives gifts and bequests, administers those resources, and disburses payments to or on behalf of the District for scholarships and capital contributions. Beginning in November 2006, the Foundation also began receiving revenue from and making specified payments for the District's Community Events Program which provides a variety of theatrical and musical productions for the community. Although the District does not control the timing or amount of receipts from the Foundation, the Foundation's restricted resources can be used only by or for the benefit of, the District or its constituents. Consequently, the Foundation is considered a component unit of the District and is discretely presented in the District's financial statements.

For financial reporting purposes, the Foundation follows the Financial Accounting Standards Board statements for not-for-profit organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information included in the District's financial report. Accordingly, those financial statements have been reported on separate pages following the District's

YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT
(YAVAPAI COLLEGE)
Notes to Financial Statements
June 30, 2014

respective counterpart financial statements. For financial reporting purposes, only the Foundation's statements of financial position and activities are included in the District's financial statements as required by generally accepted accounting principles for public colleges and universities. The Foundation has a June 30 year end.

During the year ended June 30, 2014, the Foundation gifted property and funds in the amount of \$813,256 to or on behalf of the District for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Yavapai College Foundation, 1100 East Sheldon Street, Prescott, Arizona 86301.

Basis of Presentation and Accounting

The financial statements include a statement of net position; a statement of revenues, expenses, and changes in net position; and a statement of cash flows.

A statement of net position provides information about the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at the end of the year. Assets and liabilities are classified as either current or noncurrent. Net position is classified according to external donor restrictions or availability of assets to satisfy the District's obligations. Net investment in capital assets represents the value of capital assets, net of accumulated depreciation, less any outstanding debt incurred to acquire or construct the assets. Nonexpendable restricted net position consists of federal contributions for the Federal Perkins Loan Program, the corpus of which cannot be expended. Expendable restricted net position represents grants, contracts, gifts, and other resources that have been externally restricted for specific purposes. Unrestricted net position consists of all other resources, including those that have been designated by management to be used for other than general operating purposes.

A statement of revenues, expenses, and changes in net position provides information about the District's financial activities during the year. Revenues and expenses are classified as either operating or nonoperating, and all changes in net position are reported, including capital contributions and additions to endowments. Operating revenues and expenses generally result from exchange transactions. Accordingly, revenues such as tuition, bookstore and dormitory charges, in which each party receives and gives up essentially equal values, are considered operating revenues. Other revenues, such as property taxes, state appropriations, and government grants, result from transactions in which the parties do not exchange equal values and are considered nonoperating revenues. Operating expenses include the costs of sales and services, administrative expenses, and depreciation on capital assets. Other expenses, such as interest expense, are considered nonoperating expenses.

A statement of cash flows provides information about the District's sources and uses of cash and cash equivalents during the year. Increases and decreases in cash and cash

**YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT
(YAVAPAI COLLEGE)
Notes to Financial Statements
June 30, 2014**

equivalents are classified as either operating, noncapital financing, capital financing, or investing.

The financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. State appropriations are recognized as revenue in the year in which the appropriation is first made available for use. Grants and donations are recognized as revenue as soon as all eligibility requirements the provider imposed have been met. The District eliminates all internal activity.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Cash and Investments

For the statement of cash flows, the District's cash and cash equivalents are considered to be cash on hand, demand deposits, cash and investments held by the County Treasurer, and only those highly liquid investments with a maturity of 3 months or less when purchased. All investments are stated at fair value.

Capital Assets

Capital assets are reported at actual cost. Donated assets are reported at estimated fair value at the time received.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the financial statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land	\$5,000	None	n/a
Buildings	5,000	Straight line	40 years
Improvements other than buildings	5,000	Straight line	15 years
Equipment	5,000	Straight line	5 years
Intangibles	5,000	Straight line	30 years
Library books	1	Straight line	10 years

**YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT
(YAVAPAI COLLEGE)
Notes to Financial Statements
June 30, 2014**

Deferred Outflows/Inflows of Resources

The statement of net position includes separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods that will be recognized as an expense in future periods. Deferred inflows of resources represent an acquisition of net position that applies to future periods and will be recognized as a revenue in future periods.

Investment Earnings

Investment earnings is composed of interest, dividends, and net changes in the fair value of applicable investments.

Compensated Absences

Compensated absences payable consists of vacation leave and a calculated amount of sick leave employees earned based on services already rendered.

Employees may accumulate up to twice their annual entitlement amount of vacation. The payroll system stops accruing vacation hours once an employee reaches their limit. Annual leave balances remaining when employees separate from service are paid and therefore are accrued as a liability in the financial statements.

Employees may accumulate a maximum of 560 sick leave hours. Generally, sick leave benefits provide for ordinary sick pay and are cumulative but employees forfeit them upon terminating employment. Because sick leave benefits do not vest with employees a liability for sick leave benefits is not accrued in the financial statements. However, for employees who have at least 15 years of service with the District, and are eligible for retirement under the standards set by the Arizona State Retirement System, sick leave benefits do vest, and they may receive payment for up to 70 days of accumulated sick leave at \$60 a day. Accordingly, these benefits are accrued as a liability in the financial statements.

Scholarship Allowances

A scholarship allowance is the difference between the stated charge for goods and services the District provides and the amount that the student or third parties making payments on the student's behalf pays. Accordingly, some types of student financial aid, such as Pell grants and scholarships the District awards, are considered scholarship allowances. These allowances are netted against tuition and fees and dormitory rental revenues in the statement of revenues, expenses, and changes in net position.

**YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT
(YAVAPAI COLLEGE)
Notes to Financial Statements
June 30, 2014**

Note 2 - Beginning Balances Restated

On July 1, 2013, the District restated beginning net position for adjustments relating to the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Rather than recording debt issuance costs as an asset and amortizing over the life of the debt, GASB Statement No. 65 states that “debt issuance costs, except any portion related to prepaid insurance costs, should be recognized as an expense in the period incurred.” This change is retroactive and results in a \$680,220 decrease to beginning net position.

Beginning net position was restated for the above as follows:

	<u>Business-Type Activities</u>
Total net position as of June 30, 2013	\$97,948,109
Debt issuance costs reclassification	<u>(680,220)</u>
Total net position as of July 1, 2013, as restated	<u>\$97,267,889</u>

Note 3 - Deposits and Investments

Arizona Revised Statutes (A.R.S.) requires the District to deposit special tax levies for the District’s maintenance or capital outlay with the County Treasurer. Although not statutorily required, the District has chosen to deposit other public monies in its custody with the County Treasurer. The statutes do not include any requirements for credit risk, custodial credit risk, concentration of credit risk, interest rate risk, or foreign currency risk for the District’s investments.

Deposits – At June 30, 2014, the carrying amount of the District’s deposits was \$10,806,944, and the District’s bank balance was \$11,251,732. At June 30, 2014, \$11,001,732 was exposed to custodial credit risk because it was uninsured with collateral held by the pledging financial institution’s trust department or agent but not in the District’s name. The District does not have a formal policy with respect to custodial credit risk for deposits.

Investments – The District’s investments at June 30, 2014 were as follows:

<u>Investment Type</u>	<u>Amount</u>
County Treasurer’s investment pool	\$16,981,411
Total	<u>\$16,981,411</u>

**YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT
(YAVAPAI COLLEGE)
Notes to Financial Statements
June 30, 2014**

The County Treasurer has a fiduciary responsibility to administer the District's monies under the Treasurer's stewardship. The County Treasurer's investment pool is not registered with the Securities and Exchange Commission as an investment company, and there is no regulatory oversight of its operations. The pool's structure does not provide for shares, and the County has not provided or obtained any legally binding guarantees to support the value of the participants' investments.

Credit risk – The District does not have a formal policy with respect to credit risk. At June 30, 2014, credit risk for the District's investments was as follows:

<u>Investment Type</u>	<u>Rating</u>	<u>Rating Agency</u>	<u>Amount</u>
County Treasurer's investment pool	Unrated	Not applicable	<u>\$16,981,411</u>
Total			<u>\$16,981,411</u>

Interest rate risk – The District does not have a formal policy with respect to interest rate risk. At June 30, 2014, the District had the following investments in debt securities:

<u>Investment Type</u>	<u>Amount</u>	<u>Weighted Average Maturity (Months)</u>
County Treasurer's investment pool	<u>\$16,981,411</u>	47.0
Total	<u>\$16,981,411</u>	

A reconciliation of cash, deposits and investments to amounts shown on the Statement of Net Position follows:

<u>Cash, Deposits, and Investments:</u>		<u>Statement of Net Position:</u>	
	<u>Amount</u>		<u>Amount</u>
Cash on hand	\$ 4,450	Cash and cash equivalents	<u>\$27,792,805</u>
Deposits	10,806,944	Total	<u>\$27,792,805</u>
Investments	<u>16,981,411</u>		
Total	<u>\$27,792,805</u>		

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Note 4 – Receivables

A summary of receivables and the related allowances for uncollectibles follow:

<u>Account Name</u>	<u>Gross Receivable</u>	<u>Allowance for Uncollectibles</u>	<u>Net Receivable</u>
Accounts - current	\$ 1,205,313	\$ (381,493)	\$ 823,820
Government grants and contracts - current	596,517	-	596,517
Property taxes			
Current	1,299,505	(132,024)	1,167,481
Noncurrent	158,392	(17,321)	141,071

Property Taxes Receivable - The Yavapai County Treasurer is responsible for collecting property taxes for all governmental entities within the County. In August of each year, the County levies the property taxes due the District. Two equal installments, payable in October and March, become delinquent after the first business day in November and May. A lien assessed against real and personal property attaches on the first day of January preceding the assessment and levy. Delinquent taxes are subject to a penalty of 16% per annum.

Note 5 - Capital Assets

Capital asset activity for the year ended June 30, 2014, was as follows:

	<u>Balance July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Reclassification</u>	<u>Balance June 30, 2014</u>
Capital assets not being depreciated:					
Land	\$ 5,415,888	\$ -	\$ -	\$ -	\$ 5,415,888
Construction in progress	3,515,542	8,264,376	-	(5,707,413)	6,072,505
Total capital assets not being depreciated	<u>8,931,430</u>	<u>8,264,376</u>	<u>-</u>	<u>(5,707,413)</u>	<u>11,488,393</u>
Capital assets being depreciated:					
Buildings	137,801,065	3,056,407	-	5,707,413	146,564,885
Improvements other than buildings	16,836,358	531,178	-	-	17,367,536
Equipment	12,180,586	1,046,447	656,902	-	12,570,131
Intangibles	273,587	-	-	-	273,587
Library books	3,038,624	95,051	202,292	-	2,931,383
Total capital assets being depreciated	<u>170,130,220</u>	<u>4,729,083</u>	<u>859,194</u>	<u>5,707,413</u>	<u>179,707,522</u>
Less accumulated depreciation for:					
Buildings	30,681,523	3,378,959	-	-	34,060,482
Improvements other than buildings	9,074,247	882,112	-	-	9,956,359
Equipment	9,356,229	1,354,187	651,671	-	10,058,745
Intangibles	27,359	9,119	-	-	36,478
Library books	2,212,229	155,774	202,292	-	2,165,711
Total accumulated depreciation	<u>51,351,587</u>	<u>5,780,151</u>	<u>853,963</u>	<u>-</u>	<u>56,277,775</u>
Total capital assets being depreciated, net	<u>118,778,633</u>	<u>(1,051,068)</u>	<u>5,231</u>	<u>5,707,413</u>	<u>123,429,747</u>
Capital assets, net	<u>\$ 127,710,063</u>	<u>\$ 7,213,308</u>	<u>\$ 5,231</u>	<u>\$ -</u>	<u>\$ 134,918,140</u>

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The District has active construction projects as of June 30, 2014. At year end, the District's commitments with contractors are as follows:

<u>Project</u>	<u>Source of Payment</u>	<u>Costs-to-date Including Capitalized Interest</u>	<u>Remaining Commitment</u>
Marapai residence hall renovation	Capital Projects Accumulation Account	\$ 5,565,338	\$ 245,592
Performing Arts Center	Capital Projects Accumulation Account	138,032	304,182
Tennis courts renovation	Capital Projects Accumulation Account	107,725	1,025,140
Low water crossing	Capital Projects Accumulation Account	493,117	539,941
Southwest Wine Center	Capital Projects Accumulation Account	2,090,975	174,864

Note 6 - Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2014, was as follows:

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2014</u>	<u>Due Within One Year</u>
Long-term debt:					
General obligation bonds	\$ 36,610,000	-	\$ 3,940,000	\$ 32,670,000	\$ 4,070,000
Premium on general obligation refunding	1,957,403	-	187,905	1,769,498	187,904
Pledged revenue obligations	12,185,000	-	915,000	11,270,000	945,000
Premium on pledged revenue obligations	147,977	-	12,331	135,646	12,331
Revenue bonds	5,000,000	-	275,000	4,725,000	285,000
Capital leases payable	118,471	-	77,966	40,505	40,505
Total long-term debt	<u>56,018,851</u>	<u>-</u>	<u>5,408,202</u>	<u>50,610,649</u>	<u>5,540,740</u>
Compensated absences payable	1,403,518	\$ 759,063	718,108	1,444,473	120,223
Other	137,996	27,250	59,915	105,331	21,962
Total long-term liabilities	<u>\$ 57,560,365</u>	<u>\$ 786,313</u>	<u>\$ 6,186,225</u>	<u>\$ 52,160,453</u>	<u>\$ 5,682,925</u>

Bonds and Pledged Revenue Obligations – The District's debt consists of various issues of general obligation bonds, pledged revenue obligations and revenue bonds that are generally callable with interest payable semiannually. Debt proceeds primarily pay for acquiring or constructing capital facilities, remodeling existing facilities, furnishing buildings and facilities and purchasing land adjacent to existing facilities. The District repays general obligation bonds from voter-approved property taxes. Pledged revenue obligations and revenue bonds are repaid from tuition, fees, rentals, and other charges to students, faculty, and others. The original amounts of outstanding general obligation bonds, pledged revenue obligations and revenue bonds were \$38,090,000, \$14,000,000, and \$5,000,000, respectively.

In June 2012, the District issued \$28,450,000 of general obligation refunding bonds with an average interest rate of 2.06 percent to advance refund general obligation bonds. The general obligation refunding bonds of 2012 are subject to early redemption prior to their stated maturity dates. The net proceeds were placed in the Depository Trust Fund

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and will be held uninvested or used to acquire Government Obligations, the maturing principal of and interest income with respect to which are calculated to be sufficient to pay, when due, the principal of and interest on the bonds being refunded. As a result, the refunded debt liability as of June 30, 2014 for those refunded bonds is considered to be defeased and the liability for those bonds is not included in the financial statements. The principal amount of the defeased bonds outstanding at June 30, 2014 was \$28,450,000.

In February 2011, the District issued \$9,640,000 of general obligation refunding bonds to advance refund \$9,640,000 of general obligation bonds, Series 2001(A). The District defeased the Series 2001(A) bonds which were paid in full on July 1, 2011. The general obligation refunding bonds of 2011 are not subject to early redemption prior to their stated maturity dates.

The general obligation bond issues are subject to the federal tax code arbitrage requirements. Excess earnings resulting from arbitrage will be rebated to the federal government. The District's general obligation bond legal debt limit is 15% of the secondary assessed value of real and personal property within Yavapai County. The District's total general obligation bond debt capacity was \$341,951,478 as of June 30, 2014. Of this amount, the District has \$32,670,000 in general obligation bond debt applicable to the debt limit, leaving a legal debt margin of \$309,281,478.

In April 2011, the District issued \$14,000,000 of pledged revenue obligations of which \$4,564,513 was used to prepay a capital lease with SunTrust Bank. The remaining \$9,435,487 was used to construct the Prescott Chiller Water Plant and Clarkdale Central Plant. Obligations maturing on or before July 1, 2021, are not subject to redemption. Obligations maturing on or after July 1, 2022, are subject to early redemption.

On June 13, 2013, the District issued \$5,000,000 of revenue bonds with a fixed interest rate of 2.45 percent to construct, renovate, furnish and equip the residence halls on the Prescott Campus and to make related site improvements. Obligations maturing on or before July 1, 2023, are not subject to redemption. Obligations maturing on or after July 1, 2024, are subject to early redemption.

The District has pledged future tuition, fees, dormitory rentals, bookstore income and other charges to students, faculty and others to repay the April 2011 pledged revenue obligations and the June 2013 revenue bonds. The pledged revenue obligations and revenue bonds are payable solely from these revenue sources and are payable through 2025 and 2028, respectively. Annual principal and interest payments on the pledged revenue obligations and bonds are expected to require less than 17.2% of tuition, fees, dormitory rentals, and bookstore income. In the current year, total revenues of \$10,751,131 were pledged to cover the principal and interest paid of \$1,846,981.

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Bonds and pledged revenue obligations outstanding at June 30, 2014, were as follows:

<u>Description</u>	<u>Original Amount Issued</u>	<u>Maturity Ranges</u>	<u>Interest Rates</u>	<u>Outstanding Principal</u>
General obligation bonds				
GO Refunding 2011	9,640,000	7/1/15-7/1/21	3.00-5.00%	6,240,000
GO Refunding 2012	28,450,000	7/1/15-7/1/24	2.00-4.25%	26,430,000
Pledged revenue obligations				
Series 2011	14,000,000	7/1/15-7/1/25	4.00-5.00%	11,270,000
Revenue bond				
Series 2013	5,000,000	7/1/15-7/1/28	2.45%	4,725,000

The following schedule details debt service requirements to maturity for the District's bonds payable and pledged revenue obligations at June 30, 2014:

Year Ending June 30,	<u>General Obligation Bonds</u>		<u>Pledged Revenue Obligations</u>		<u>Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 4,070,000	\$ 965,400	\$ 945,000	\$ 491,756	\$ 285,000	\$ 115,762
2016	4,195,000	850,850	985,000	453,956	295,000	108,780
2017	4,295,000	756,750	1,025,000	414,556	300,000	101,553
2018	4,395,000	660,800	1,070,000	370,306	310,000	94,202
2019	4,545,000	500,600	1,110,000	327,507	315,000	86,608
2020 – 24	11,170,000	1,013,925	5,255,000	909,094	1,700,000	313,110
2025 – 29	-	-	<u>880,000</u>	<u>42,900</u>	<u>1,520,000</u>	<u>94,325</u>
Total	<u>\$32,670,000</u>	<u>\$4,748,325</u>	<u>\$11,270,000</u>	<u>\$3,010,075</u>	<u>\$4,725,000</u>	<u>\$ 914,340</u>

Capital Leases - The District has acquired various items of machinery, furniture and equipment under the provisions of long-term lease agreements classified as capital leases for accounting purposes because they provide for a bargain purchase option or a transfer of ownership by the end of the lease term. The capitalized assets acquired through capital leases at June 30, 2014, are as follows:

Equipment	\$232,910
Less: accumulated depreciation	<u>209,619</u>
Carrying value	<u>\$ 23,291</u>

The determination of whether equipment acquired under capital leases is capitalized is based upon the capitalization thresholds specified in Note 1. Accordingly, the District owns an additional \$128,599 of equipment acquired through capital leases which is not capitalized and therefore not subject to depreciation.

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The following schedule details debt service requirements to maturity for the District's capital leases payable at June 30, 2014:

Year ending June 30,	
2015	<u>\$41,289</u>
Total minimum lease payments	41,289
Less amount representing interest	<u>784</u>
Present value of net minimum lease payments	<u>\$40,505</u>

Note 7 - Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance for all such risks of loss, including workers' compensation, employees' health, and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

In addition, the District purchases health care insurance from the Yavapai Combined Trust (Trust), a public entity risk pool formed to provide health care benefits to employees of participating governmental units. The Trust is funded by irrevocable contributions from the District for employee coverage and from the District and employees for dependent coverage. The District's contributions are reported as expenses in the financial statements. The Trust provides coverage for claims up to \$250,000 for each insured's health claims. The Trust purchases commercial insurance coverage for claims in excess of these limits. The commercial insurance is sufficient to cover the maximum plan limits so the District is not liable for claims in excess of coverage limits and the District cannot be assessed supplemental premiums. The Trust's assets are managed by a separate board of directors.

Note 8 - Pension and Other Postemployment Benefits

Defined Benefit Plan

Plan Description - The District contributes to a cost-sharing, multiple-employer defined benefit pension plan; a cost-sharing, multiple-employer defined benefit health insurance premium benefit plan; and a cost-sharing, multiple-employer defined benefit long-term disability plan, all of which the Arizona State Retirement System administers. The Arizona State Retirement System (through its Retirement Fund) provides retirement (i.e., pension), death, and survivor benefits; the Health Benefit Supplement Fund provides health insurance premium benefits (i.e., a monthly subsidy); and the Long-Term Disability Fund provides long-term disability benefits. State statute establishes

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benefits. The Arizona State Retirement System Board governs the system according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

The System issues a comprehensive annual financial report that includes financial statements and required supplementary information. The most recent report is available on its website at www.azasrs.gov; by writing the Arizona State Retirement System, 3300 N. Central Ave., P.O. Box 33910, Phoenix, AZ 85067-3910; or by calling (602) 240-2000 or (800) 621-3778.

Funding Policy - The Arizona State Legislature establishes, and may amend active plan members' and the District's contribution rates. For the year ended June 30, 2014, statute required active plan members to contribute at the actuarially-determined rate of 11.54 percent (11.3 percent retirement and 0.24 percent for long-term disability) of the members' annual covered payroll and statute required the District to contribute at the actuarially-determined rate of 11.54 percent (10.7 percent for retirement, 0.6 percent for health insurance premium benefit, and 0.24 percent for long-term disability) of the members' annual covered payroll.

The District's contributions for the current and two preceding years, all of which were equal to the required contributions, were as follows:

Years ended June 30,	<u>Retirement Fund</u>	<u>Health Benefit Supplement Fund</u>	<u>Long-Term Disability Fund</u>
2014	\$1,905,579	\$106,862	\$41,298
2013	1,816,850	115,147	41,721
2012	1,824,631	109,470	43,189

Defined Contribution Plans

Plan Description - In accordance with A.R.S. §15-1451, District faculty, service professionals, and administrative staff have the option of participating in defined contribution pension plans instead of the Arizona State Retirement System. These plans are administered by independent insurance and annuity companies. Beginning in fiscal year 1998-99, the District offered defined contribution plans by Teachers Insurance Annuity Association/College Retirement Equities Fund (TIAA/CREF), Variable Annuity Life Insurance Company (VALIC), and ING Life Insurance and Annuity Company (ING). Benefits under these plans depend solely on the contributed amounts and the returns earned on the investment of those contributions. Contributions made by employees vest immediately, and District contributions vest after three years of full-time employment. Employee and District contributions and associated returns earned on investments may be withdrawn starting upon termination of employment, death, or retirement. The distribution of employee and District contributions and associated

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investment earnings are made in accordance with the employee's contract with the applicable insurance and annuity companies.

Funding Policy - The Arizona State Legislature allows the District to establish contribution rates each year, that are at least as much as the ASRS contribution amounts. For the year ended June 30, 2014, the District and employees contributed at the rate of 11.54 percent of the member's annual covered payroll. Contributions to these plans for the year ended June 30, 2014, were as follows:

<u>Plan</u>	<u>Contribution Rates District/Employee</u>	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Total Contributions</u>
TIAA/CREF	11.54% / 11.54%	\$384,179	\$384,179	\$768,358
ING	11.54% / 11.54%	112,373	112,373	224,746
VALIC	11.54% / 11.54%	40,752	40,752	81,504

Note 9 - Operating Expenses

The District's operating expenses are presented by functional classification in the Statement of Revenues, Expenses, and Changes in Net Position – Primary Government. The operating expenses can also be classified into the following:

Personal services	\$34,047,655
Contract services	2,687,206
Supplies and other services	2,224,225
Communications and utilities	2,265,888
Scholarships	8,180,284
Depreciation	5,780,151
Other	4,566,097
Total	<u>\$59,751,506</u>

A.R.S. §35-391, requires the disclosure of the amount of any reward, discount, incentive or other financial consideration received resulting from the use of credit card payments by governmental entities. During the current fiscal year, the District received \$32,792 in rebates from the use of credit cards.

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Note 10 - Contingencies

A former employee has filed a lawsuit against the District seeking reimbursement, on behalf of the federal government, of tuition payments the District received from the Veteran's Administration. The employee claims that the District erroneously received payment in the millions of dollars. The District contests liability and intends to vigorously defend the lawsuit.

Note 11 - Discretely Presented Component Unit Disclosure

Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

The Yavapai College Foundation (the "Foundation") was formed in 1971 as an Arizona not-for-profit Corporation. The Foundation's mission and purpose is to support the programs and activities of Yavapai College (the "College"). The Foundation supports student scholarships, faculty development and programs that enrich both campus and community life.

The major activities of the Foundation include providing scholarships to College students, capital additions to the College, administrative and financial services to the Yavapai College Performing Arts Center ("YCPAC") program for the College and financial resources for many academic and career and technical programs offered at the College. Resources to fund these activities are provided mainly from investment income, contributions, grants and rents.

The bylaws of the Foundation allow for the creation of auxiliaries when a group of people demonstrate a need and desire to support the Foundation's mission in a particular area of interest. There are five auxiliaries as follows:

- FRIENDS of Yavapai College Art – The purpose of this group is to assist Yavapai College art department programs, including the art gallery functions and Sculpture Garden, as a cultural benefit to the students and to the community at large.
- FRIENDS of Yavapai College Music – The purpose of this group is to support Yavapai College music programs and students, including student scholarships, instrumental and choral needs.
- FRIENDS of the Yavapai College Library – The purpose of this group is to support the Yavapai College library, providing programs and services that connect the community to the library as a cultural and literary center.
- FRIENDS of the Family Enrichment Center – The purpose of this group is to support and raise funds for the Family Enrichment Center (FEC). The FEC offers quality

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learning experiences to a diverse group of children while providing invaluable hands-on teacher training to the College's early and elementary education students.

- Roughrider Club – The purpose of this group is to support the Yavapai College intercollegiate athletics program, including paying expenses relating to the athletic program not covered by the regular College athletic budget. This is done through fundraising and promotional activities. This group discontinued its relationship with the Foundation during the year ended June 30, 2013 and its activities will be carried on in the future by the Yavapai College Athletics department with the help of volunteers and alumni.
- FRIENDS of the Southwest Wine Center – The purpose of this group is to support the viticulture and enology program and raise capital funds for the development of the Southwest Wine Center.

In addition, program expenses include activities relating to the following funds:

- Performing Arts Center – The Performing Arts Charitable Endowment (PACE) through its annual disbursements makes it possible to continue to offer spectacular seasons of music, dance and theater in the Yavapai College Performing Arts Center.
- Greater Verde Valley Chapter – The bylaws of the Foundation allow for the creation of chapters when a group of people in a specific geographic area demonstrate a need and desire to support the Foundation's mission. The volunteer board of the Greater Verde Valley Chapter operates under the Foundation's Board of Directors to strengthen and support Yavapai College programs offered in Clarkdale, Cottonwood, Camp Verde and Sedona, Arizona. The Greater Verde Valley Chapter was terminated during the year ended June 30, 2014

Basis of Accounting and Financial Statement Presentation

The financial statements of the Foundation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Temporarily restricted net assets are composed of assets that have been restricted by the donors and contain either time or purpose restrictions plus unspent accumulated investment income on the permanently restricted endowments.

Fair Value Measurements

A framework for measuring fair value has been established by Accounting Standards and provides a fair value hierarchy that prioritizes the inputs to valuation techniques

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used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under Accounting Standards are as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.
- Level 2 Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement, and usually reflect the Foundation's own assumptions that market participants would use in pricing the assets (i.e. real estate valuations, broker quotes).

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

Investments

Investment income or loss (including realized and unrealized gains and losses) is included in the change in unrestricted net assets in the accompanying statement of activities, unless the income or loss is restricted by donor or law.

The Foundation invests most of the endowments in an investment pool which is managed by an investment advisor to the Foundation. Investment return and investment fees within the investment pool are allocated monthly to the individual funds based on the relationship of the market value of each fund to the total market value of the pool as adjusted for additions to or distributions from those funds.

Endowment Funds

The Foundation's endowment funds consist of approximately 120 funds established for a variety of purposes. The endowment funds include both donor-restricted endowment

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funds and funds designated by the Board of Directors as endowments. Net assets associated with these endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation follows Arizona's Management of Charitable Funds Act (MCFA) and its own governing documents. MCFA requires the preservation of endowment funds. When a donor's intent is not expressed, MCFA directs the Foundation to spend an amount that is prudent, consistent with the purposes of the fund, relevant economic factors and the donor's intent that the fund continue in perpetuity.

The Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for the expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by MCFA.

In accordance with MCFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) the Foundation's other resources, and (7) the Foundation's investment policies.

Investment Return Objectives, Risk Parameters and Strategies. The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding for programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. The Foundation's primary objective is to obtain the best possible return on investments with the appropriate degree of risk and to meet the priorities of the Foundation and Yavapai College over time. Endowment assets are invested in a well-diversified asset mix that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 3%, while growing the funds if possible. Therefore, the Foundation expects its endowment assets, over time, to produce results that exceed the price and yield results of a custom index made

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June 30, 2014**

up of approximately 60% equities, 10% alternative investments and 30% fixed income. Actual returns may vary from year to year. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy. For the year ended June 30, 2014, the Foundation has a practice of appropriating for distribution each year of up to 3.5% of its endowment funds' average fair value of the prior 28 quarters through December 31 for any funds that are above the historic dollar value. The Foundation may elect, on a case by case basis, to approve an allocation expenditure in excess of 3.5% but not exceeding 7% for selected funds. During the year ended June 30, 2013, the practice was to distribute approximately 3%. In establishing this practice, the Foundation considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor restrictions, and the possible effects of inflation. The Foundation expects the current spending practice to allow its endowment funds to grow over time as described above.

Investments

The following is a summary of the value of investments at June 30, 2014:

Cash	\$ 53
Fixed income	4,336,852
Equity funds	4,680,639
International equity funds	1,973,764
Mutual funds - held with Arizona Community Foundation (ACF)	<u>85,937</u>
	<u>\$11,077,245</u>

The following schedule summarizes the investment return for the year ended June 30, 2014:

Interest and dividend income	\$ 227,602
Net realized gains	565,259
Net unrealized gains	469,469
Income distribution from perpetual trust	15,877
Investment fees	<u>(43,514)</u>
	<u>\$ 1,234,693</u>

**YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT
(YAVAPAI COLLEGE)
Notes to Financial Statements
June 30, 2014**

Fair Value of Financial Instruments

Investments with readily determinable fair values are measured at fair value in the statement of financial position as determined by quoted market prices in active markets (Level 1) or measured based on prices for identical assets in non-active markets (Level 2). Investments in mutual funds held with Arizona Community Foundation (ACF) are valued based on observable inputs, which include the fair value of the underlying assets held by ACF and the Foundation's percentage interest in ACF's investments (Level 2).

Properties held for sale and other assets (which include artwork) have been valued using a market approach. Property held for sale at June 30, 2014 and 2013 includes a property that is valued based on assumptions used for a real estate broker's quote.

The following is a summary of these fair values at June 30, 2014:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Measured at fair value on a recurring basis:				
Cash	\$ 53	\$ -	\$ -	\$ 53
Fixed income	4,336,852	-	-	4,336,852
Equity funds	4,680,639	-	-	4,680,639
International equity funds	1,973,764	-	-	1,973,764
Mutual funds - held by ACF	<u>-</u>	<u>85,937</u>	<u>-</u>	<u>85,937</u>
Total investments	10,991,308	85,937	-	11,077,245
Beneficial interest in perpetual trust	-	-	389,733	389,733
Other assets	<u>-</u>	<u>18,500</u>	<u>-</u>	<u>18,500</u>
	<u>\$10,991,308</u>	<u>\$ 104,437</u>	<u>\$ 389,733</u>	<u>\$11,485,478</u>
Measured at fair value on a non-recurring basis:				
Properties held for sale	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 330,000</u>	<u>\$ 330,000</u>

**STATISTICAL
SECTION**

STATISTICAL SECTION

This part of the Yavapai County Community College District's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends	49
These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	
Revenue Capacity	52
These schedules contain trend information to help the reader assess the District's most significant local revenue source, the property tax.	
Debt Capacity	58
These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	
Demographic and Economic Information	64
These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	
Operating Information	69
These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT
NET POSITION BY COMPONENT
Last Ten Fiscal Years

	2013/14 (3)	2012/13	2011/12	2010/11	2009/10	2008/09	2007/08	2006/07	2005/06 (2)	2004/05 (1)
Net Investment in capital assets	\$ 86,471,782	\$ 78,147,428	\$ 67,896,379	\$ 52,993,496	\$ 47,354,377	\$ 44,715,778	\$ 40,432,861	\$ 33,700,448	\$ 30,615,411	\$ 26,666,133
Restricted - expendable	1,310,624	1,254,116	1,277,411	1,766,629	1,463,530	1,332,000	1,171,953	1,493,545	1,193,320	3,417,689
Restricted - nonexpendable	516,894	536,143	555,540	581,183	608,637	617,676	559,175	553,992	554,901	542,806
Unrestricted	20,110,656	18,010,422	15,980,102	21,245,920	15,862,969	11,571,245	9,529,847	6,863,655	5,728,035	3,935,874
Total net position	\$ 108,409,956	\$ 97,948,109	\$ 85,709,432	\$ 76,587,228	\$ 65,289,513	\$ 58,236,699	\$ 51,693,836	\$ 42,611,640	\$ 38,091,667	\$ 34,562,502

Source: Audited financial statements for the past ten fiscal years.

Note 1: FY2004/05 amounts were restated in FY2005/06 to capitalize interest for assets constructed from the proceeds of bonds issued in accordance with the District's Master Plan.

Note 2: FY2005/06 amounts were reclassified between net investment in capital assets, restricted - expendable and unrestricted to improve the classification of assets and liabilities within these categories. The fiscal years prior to FY2005/06 have not been restated.

Note 3: Balances prior to FY 2013/14 have not been adjusted for the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT
CHANGES IN NET POSITION
Last Ten Fiscal Years

	2013/14	2012/13	2011/12	2010/11	2009/10 (1)	2008/09	2007/08	2006/07	2005/06	2004/05
Operating expenses:										
Educational and general:										
Instruction	\$ 17,783,284	\$ 17,655,723	\$ 17,698,239	\$ 18,775,348	\$ 18,706,094	\$ 17,525,630	\$ 16,216,739	\$ 15,175,652	\$ 14,063,388	\$ 13,501,501
Public service	1,499,841	1,319,994	468,221	417,983	422,084	445,716	482,123	469,694	427,283	536,325
Academic support	4,211,551	4,114,700	5,506,885	5,163,892	5,305,978	3,877,549	3,550,891	3,431,924	3,360,252	3,745,522
Student services	5,886,627	5,139,128	4,717,637	4,799,851	4,488,132	4,423,646	4,423,089	3,799,884	3,632,561	3,553,447
Institutional support	8,759,934	8,161,909	8,322,159	8,048,375	8,040,029	10,472,894	9,680,826	9,007,831	8,413,195	8,241,986
Operation and maintenance of plant	6,177,478	5,847,012	5,658,989	5,085,259	4,929,835	5,241,506	5,699,368	6,054,495	6,678,206	7,791,233
Scholarships	8,180,284	7,792,260	6,972,898	8,246,942	6,880,339	3,244,248	2,385,237	2,142,681	2,235,781	2,420,745
Auxiliary enterprises	1,472,356	2,795,291	2,958,145	3,272,931	3,156,306	3,149,945	4,087,342	5,735,654	5,928,988	4,755,382
Depreciation	5,780,151	5,113,014	4,964,260	4,747,968	4,667,983	4,251,835	4,009,537	3,524,995	2,648,059	2,073,464
Other	-	68,974	42,246	-	-	-	-	-	-	-
Total operating expenses	59,751,506	58,008,005	57,309,679	58,558,549	56,596,780	52,632,969	50,535,152	49,342,810	47,387,713	46,619,605
Operating revenues:										
Tuition and fees pledged as security for revenue bonds	8,799,116	8,610,225	7,749,248	7,453,699	6,853,199	5,395,124	6,402,070	7,063,707	6,543,317	5,920,182
Bookstore income	211,418	216,100	212,952	99,668	105,060	127,093	127,202	122,752	109,525	112,407
Food service sales pledged as security for revenue bonds	-	-	-	40,077	33,454	189,630	196,719	185,637	256,930	270,131
Dormitory rentals pledged as security for revenue bonds	619,166	609,362	661,380	706,427	615,223	311,967	308,994	253,497	289,668	262,246
Other	1,069,747	1,545,639	991,467	990,130	865,619	802,981	883,519	969,866	1,343,169	1,251,091
Total operating revenues	10,699,447	10,981,326	9,615,047	9,290,001	8,472,555	6,826,795	7,918,504	8,595,459	8,542,609	7,816,057
Operating loss	(49,052,059)	(47,026,679)	(47,694,632)	(49,268,548)	(48,124,225)	(45,806,174)	(42,616,648)	(40,747,351)	(38,845,104)	(38,803,548)
Nonoperating revenues (expenses):										
Property taxes	45,571,425	45,270,751	43,701,144	43,357,697	41,853,443	40,242,345	38,126,821	35,439,097	33,086,999	31,369,540
Government grants	13,241,015	13,332,275	11,892,501	12,132,545	9,945,752	7,764,046	5,567,413	4,965,960	4,705,133	4,967,630
State appropriations	893,900	957,600	899,200	4,196,000	4,196,000	4,523,974	4,820,400	4,738,700	4,738,700	4,724,400
Share of state sales taxes	597,221	533,514	524,433	504,545	525,705	575,637	645,345	661,207	527,127	505,338
Private grants and gifts	761,844	841,367	710,239	866,820	691,196	368,773	1,036,345	258,992	358,063	297,474
Investment earnings	91,630	61,214	100,030	96,181	85,984	327,532	726,726	958,016	817,166	399,527
Interest expense on debt	(1,695,668)	(1,737,933)	(1,533,223)	(2,388,920)	(2,442,999)	(2,554,248)	(2,726,727)	(2,475,647)	(2,539,812)	(1,676,842)
Settlement of litigation	-	-	-	1,800,000	-	-	-	-	-	-
Gain (loss) on disposal of capital assets	8,389	2,432	17,477	1,395	3,590	1,035,796	-	(2,911)	(6,007)	-
Total nonoperating revenues	59,469,756	59,261,220	56,311,801	60,566,263	54,858,671	52,283,855	48,196,323	44,543,414	41,687,369	40,587,067
Income before other revenues, expenses, gains or losses	10,417,697	12,234,541	8,617,169	11,297,715	6,734,446	6,477,681	5,579,675	3,796,063	2,842,265	1,783,519
Capital appropriations	248,600	-	-	-	-	-	703,900	678,500	686,900	683,800
Capital grants and gifts	475,770	4,136	505,035	-	318,368	65,182	2,798,621	45,410	-	-
Increase in net position	\$ 11,142,067	\$ 12,238,677	\$ 9,122,204	\$ 11,297,715	\$ 7,052,814	\$ 6,542,863	\$ 9,082,196	\$ 4,519,973	\$ 3,529,165	\$ 2,467,319

Source: Audited financial statements for the past ten fiscal years.

Note 1: The increases in instruction and academic support expenses and decrease in institutional support expenses from FY2008/09 to FY2009/10 were due to functional category changes made when the District set up the new chart of accounts in the new finance system.

YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT
EXPENDITURE LIMITATION
STATUTORY LIMIT TO BUDGETED EXPENDITURES
Last Ten Fiscal Years

FISCAL YEAR	STATUTORY EXPENDITURE LIMITATION (1)	BUDGETED EXPENDITURES SUBJECT TO LIMITATION (2)	UNUSED LEGAL LIMIT
2004/05	31,084,322	30,936,096	148,226
2005/06	29,756,503	29,756,502	1
2006/07	31,866,200	31,866,199	1
2007/08	35,640,999	35,640,998	1
2008/09	37,614,068	37,614,067	1
2009/10	40,285,827	40,285,826	1
2010/11	40,776,721	40,776,720	1
2011/12	47,208,739	47,208,738	1
2012/13	43,278,034	43,278,033	1
2013/14	43,747,725	43,747,724	1

Source: Audited Reports on Audit of Annual Budgeted Expenditure Limitation.

Note 1: The Statutory Expenditure Limitation is calculated by the Arizona Department of Revenue Economic Estimates Commission and applies to Current (General, Auxiliary Enterprises, and Restricted) and Plant Funds (Unexpended and Retirement of Indebtedness).

Note 2: Budgeted expenditures are net of allowable exclusions.

YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years

Fiscal Year	Original Tax Levy	Adjustments	Adjusted Levy	Collections Initial Tax Year	Percentage of Original Tax Levy	Collections in Subsequent Years	Total Collections To Date	Percent of Total Tax Collections to Adjusted Levy
2004/05	\$ 31,323,257	\$ (139,478)	\$ 31,183,779	\$ 30,320,499	96.80%	\$ 847,807	\$ 31,168,306	99.95%
2005/06	33,058,979	(169,159)	32,889,820	32,138,159	97.21%	740,738	32,878,897	99.97%
2006/07	35,442,857	(168,597)	35,274,260	34,480,667	97.29%	782,914	35,263,581	99.97%
2007/08	38,171,659	(193,765)	37,977,894	36,874,670	96.60%	1,086,403	37,961,073	99.96%
2008/09	40,572,257	(132,085)	40,440,172	38,855,855	95.77%	1,556,302	40,412,157	99.93%
2009/10	42,031,687	(114,803)	41,916,884	40,105,227	95.42%	1,777,052	41,882,279	99.92%
2010/11	43,495,629	(98,545)	43,397,084	41,545,863	95.52%	1,808,037	43,353,900	99.90%
2011/12	43,804,957	(83,029)	43,721,928	41,965,795	95.80%	1,688,063	43,653,858	99.84%
2012/13	45,420,203	(157,267)	45,262,936	43,997,586	96.87%	1,142,078	45,139,664	99.73%
2013/14	45,703,933	(14,661)	45,689,272	44,576,740	97.53%	-	44,576,740	97.57%

Source: Yavapai County Treasurer's Office and District records.

Note 1: Includes both primary and secondary taxes.

Note 2: Amounts collected are on a cash basis.

YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 Last Ten Fiscal Years

Fiscal Year	Primary Assessed Value				Total Direct Tax Rate (2)	Estimated Actual Value	Assessed Value as a Percentage of Actual Value
	Residential and Vacant Property	Commercial Property	Unattached Personal Property	Total Taxable Assessed Value			
2004/05	\$ 1,178,680,548	\$ 452,777,214	\$ 44,571,778	\$ 1,676,029,540	1.8514	\$ 13,416,406,081	12.49%
2005/06	1,322,060,791	506,417,682	49,368,952	1,877,847,425	1.7514	15,045,533,581	12.48%
2006/07	1,511,362,543	566,635,332	47,712,332	2,125,710,207	1.6573	17,098,083,909	12.43%
2007/08	1,754,125,017	664,163,807	51,977,047	2,470,265,871	1.5225	20,111,624,109	12.28%
2008/09	2,094,798,703	803,911,861	55,888,168	2,954,598,732	1.3394	23,973,791,761	12.32%
2009/10	2,373,124,327	841,667,070	59,286,950	3,274,078,347	1.2617	26,993,826,530	12.13%
2010/11	2,357,527,484	767,441,706	62,608,487	3,187,577,677	1.3609	26,602,931,420	11.98%
2011/12	2,007,011,632	623,434,540	81,731,709	2,712,177,881	1.6175	22,580,984,308	12.01%
2012/13	1,748,825,220	573,976,929	82,671,574	2,405,473,723	1.8875	20,142,814,909	11.94%
2013/14	1,819,990,776	325,100,587	87,538,236	2,232,629,599	2.0468	19,088,929,991	11.70%

Source: Yavapai County Assessor's Office.

Note 1: Property in the County is reassessed each year. Tax rates are per \$100 of assessed value.

Note 2: Includes both primary and secondary tax rates. See Property Tax Rates, Direct and Overlapping Governments schedule.

YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT
PROPERTY TAX RATES, DIRECT AND OVERLAPPING GOVERNMENTS
Last Ten Fiscal Years (Per \$100 of Assessed Value)

Fiscal Year	Yavapai College	Overlapping Rates						
		Yavapai County	Cities and Towns		Fire and Special Districts		School Districts	
			From	To	From	To	From	To
2004/05	1.8514	2.5637	0.6146	1.1904	0.3744	3.3000	1.2362	9.5346
2005/06	1.7514	2.1042	0.5658	1.1134	0.1894	3.4285	1.8496	10.4246
2006/07	1.6573	2.0450	0.5275	1.1281	0.2523	3.4491	1.8190	9.4606
2007/08	1.5225	1.8860	0.4973	0.8977	0.2130	3.4108	1.3621	9.4004
2008/09	1.3394	1.7148	0.4235	0.7600	0.0711	3.4200	1.2310	8.4913
2009/10	1.2617	1.9627	0.3697	0.9120	0.0401	7.3600	1.1824	8.1837
2010/11	1.3609	2.1083	0.0109	1.4401	0.0492	9.6600	0.2436	7.7525
2011/12	1.6175	2.3431	0.0142	1.4400	0.0642	11.4000	1.2605	7.9313
2012/13	1.8875	2.6766	0.4083	1.4400	0.0437	13.6892	1.2727	7.2224
2013/14	2.0468	2.9084	0.3351	1.6000	0.0622	16.2403	1.1401	7.8940

Source: Yavapai County Assessor's Office.

Note 1: Rates include primary and secondary.

YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT
 ASSESSED VALUATION, TAX RATE AND LEVY HISTORY
 Last Ten Fiscal Years

Fiscal Year	Primary			Secondary		
	Assessed Valuation	Tax Rate	Tax Levy	Assessed Valuation	Tax Rate	Tax Levy
2004/05	\$ 1,676,029,540	1.5626	\$ 26,189,638	\$ 1,785,174,684	.2888	\$ 5,155,584
2005/06	1,877,847,425	1.4900	27,979,927	2,020,575,209	.2614	5,281,784
2006/07	2,125,710,207	1.4308	30,414,662	2,302,712,940	.2265	5,215,645
2007/08	2,470,265,871	1.3397	33,094,152	2,853,059,731	.1828	5,215,393
2008/09	2,954,598,732	1.1989	35,422,684	3,746,625,208	.1405	5,264,008
2009/10	3,274,078,347	1.1250	36,833,381	3,824,935,514	.1367	5,228,687
2010/11	3,187,577,677	1.2046	38,397,561	3,350,111,921	.1563	5,236,225
2011/12	2,712,177,881	1.4274	38,713,627	2,753,690,772	.1901	5,234,766
2012/13	2,405,473,723	1.6725	40,231,548	2,414,825,073	.2150	5,191,874
2013/14	2,232,629,599	1.8241	40,725,397	2,279,676,521	.2227	5,076,840

Source: Yavapai County Assessor's Office and District records.

YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT
 PRINCIPAL PROPERTY TAXPAYERS
 Current Year and Nine Years Ago

Taxpayer	2013 Primary Assessed Valuation	Rank	Percent of Yavapai County's 2013/14 Primary Assessed Valuation	2004 Primary Assessed Valuation	Rank	Percent of Yavapai County's 2004/05 Primary Assessed Valuation
Phelps Dodge Bagdad Copper Company	\$ 146,649,680	1	6.57%	\$ 18,349,323	3	1.09%
Arizona Public Service	87,066,710	2	3.90%	53,754,190	1	3.21%
Transwestern Pipeline Company	31,600,298	3	1.42%	6,107,119	9	0.36%
Phoenix Cement Co. / Salt River Materials	24,927,738	4	1.12%	-	-	
Unisource Energy Corporation	15,204,320	5	0.68%	-	-	
Drake Cement	11,949,882	6	0.54%	-	-	
Burlington Northern Santa Fe Railroad	10,625,479	7	0.48%	9,808,241	5	0.59%
El Paso Natural Gas Company	8,943,116	8	0.40%	9,753,662	6	0.58%
Qwest	8,606,911	9	0.39%	22,459,991	2	1.34%
TWC II - Prescott Mall LLC	5,074,990	10	0.23%	9,641,505	7	0.58%
Salt River Pima-Maricopa Indian Community	-	-	-	17,311,688	4	1.03%
Tucson Electric Power Company	-	-	-	8,873,118	8	0.53%
Cyprus Bagdad Copper Company	-	-	-	4,944,022	10	0.29%
Total Top Ten	<u>\$ 350,649,124</u>		<u>15.73%</u>	<u>\$ 161,002,859</u>		<u>9.60%</u>

Source: Yavapai County Assessor.

YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT
 TUITION SCHEDULE
 Last Ten Fiscal Years

Fiscal Year	Annual Tuition Rates (1)	Tuition per Credit Hour
2004/05	\$ 1,140	\$ 38
2005/06	1,320	44
2006/07	1,350	45
2007/08	1,470	49
2008/09	1,560	52
2009/10	1,740	58
2010/11	1,860	62
2011/12	2,010	67
2012/13	2,100	70
2013/14	2,100	70

Source: District records.

Note 1: Tuition based on one year of full-time equivalent credit for in-state students at District's base tuition rate. Beginning fiscal year 2012-13, the District implemented a differentiated tuition model. For FY 2013-14, tier 1 classes were \$78 per credit hour and tier 2 classes were \$87 per credit hour.

YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds (1)	Revenue Bonds (1)	Pledged Revenue Obligations (1)	Capital Lease Obligations	Total Outstanding Debt	Percentage of Personal Income (2)	Per Capita (2)
2004/05	\$ 61,725,000	\$ 1,425,000	\$ -	\$ 826,824	\$ 63,976,824	1.37%	\$ 341
2005/06	59,235,000	1,280,000	-	2,148,280	62,663,280	1.19%	321
2006/07	56,425,000	1,125,000	-	8,089,092	65,639,092	1.13%	322
2007/08	53,510,000	965,000	-	10,952,114	65,427,114	1.03%	313
2008/09	50,470,000	795,000	-	9,140,549	60,405,549	0.91%	286
2009/10	47,310,000	615,000	-	7,912,310	55,837,310	0.93%	264
2010/11	46,329,967	420,000	14,082,639	1,787,090	62,619,696	1.04%	297
2011/12	42,615,307	-	13,225,308	260,918	56,101,533	0.90%	265
2012/13	38,567,403	5,000,000	12,332,977	118,471	56,018,851	0.90%	263
2013/14	34,439,498	4,725,000	11,405,646	40,505	50,610,649	0.75%	235

Source: District Records, Bureau of Economic Analysis and Arizona Department of Economic Security.

Note 1: Presented net of original issuance discounts and premiums.

Note 2: See the Population and Personal Income Schedule for Yavapai County on page 67 for data.

YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT
LEGAL DEBT MARGIN
Last Ten Fiscal Years

	2013/14	2012/13	2011/12	2010/11	2009/10	2008/09	2007/08	2006/07	2005/06	2004/05
Secondary Assessed Value	\$ 2,279,676,521	\$ 2,414,825,073	\$ 2,753,690,772	\$ 3,350,111,921	\$ 3,824,935,514	\$ 3,746,625,208	\$ 2,853,059,731	\$ 2,302,712,940	\$ 2,020,575,209	\$ 1,783,988,336
Legal Debt Margin										
Debt limit - 15% of secondary assessed value	341,951,478	362,223,761	413,053,616	502,516,788	573,740,327	561,993,781	427,958,960	345,406,941	303,086,281	267,598,250
Amount of debt applicable to debt limit:										
General obligation bonded debt	(32,670,000)	(36,610,000)	(40,470,000)	(43,935,000)	(47,310,000)	(50,470,000)	(53,510,000)	(56,425,000)	(59,235,000)	(61,725,000)
Legal debt margin	\$ 309,281,478	\$ 325,613,761	\$ 372,583,616	\$ 458,581,788	\$ 526,430,327	\$ 511,523,781	\$ 374,448,960	\$ 288,981,941	\$ 243,851,281	\$ 205,873,250
Total general obligation bonded debt as a percentage of legal debt limit	9.55%	10.11%	9.80%	8.74%	8.25%	8.98%	12.50%	16.34%	19.54%	23.07%

Source: Yavapai County Assessor's Office and District records.

YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT
 RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO
 ASSESSED VALUE AND NET GENERAL BONDED DEBT PER CAPITA
 Last Ten Fiscal Years

Fiscal Year	Estimated Population (Yavapai County) (1)	Secondary Assessed Value of Real Estate	General Obligation Bonds (2)	Amount Available For Retirement of General Obligation Bond Debt	Net Bonded Debt	Percentage of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
2004/05	187,822	\$ 1,785,174,684	\$ 61,725,000	\$ 443,359	\$ 61,281,641	3.43%	\$ 326.28
2005/06	195,424	2,020,575,209	59,235,000	583,290	58,651,710	2.90%	300.13
2006/07	204,082	2,302,712,940	56,425,000	664,470	55,760,530	2.42%	273.23
2007/08	208,773	2,853,059,731	53,510,000	907,674	52,602,326	1.84%	251.96
2008/09	211,211	3,746,625,208	50,470,000	929,506	49,540,494	1.32%	234.55
2009/10	211,172	3,824,935,514	47,310,000	948,903	46,361,097	1.21%	219.54
2010/11	211,144	3,350,111,921	46,329,967	1,171,570	45,158,397	1.35%	213.87
2011/12	211,888	2,753,690,772	42,615,307	945,695	41,669,612	1.51%	196.66
2012/13	212,637	2,414,825,073	38,567,403	947,064	37,620,339	1.56%	176.92
2013/14	215,133	2,279,676,521	34,439,498	964,317	33,475,181	1.47%	155.60

Source: District Records, Yavapai County Assessor's Office, and Arizona Department of Economic Security.

Note 1: See the Population and Personal Income Schedule for Yavapai County on page 67 for data.

Note 2: Presented net of original issuance discounts and premiums.

YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL BONDED DEBT TO OPERATING
EXPENSES/EXPENDITURES
Last Ten Fiscal Years

Fiscal Year	Principal	Interest	Total Debt Service	Total Operating Expenses/ Expenditures	Percentage of Debt Service to Operating Expenses/ Expenditures
2004/05	\$ 3,455,000	\$ 1,809,834	\$ 5,264,834	\$ 46,619,605	11.29%
2005/06	2,490,000	2,697,539	5,187,539	47,387,713	10.95%
2006/07	2,810,000	2,404,983	5,214,983	49,342,810	10.57%
2007/08	2,915,000	2,299,651	5,214,651	50,535,152	10.32%
2008/09	3,040,000	2,187,883	5,227,883	52,632,969	9.93%
2009/10	3,160,000	2,067,833	5,227,833	56,596,780	9.24%
2010/11	3,375,000	1,859,646	5,234,646	58,558,549	8.94%
2011/12	3,465,000	1,183,518	4,648,518	57,309,679	8.11%
2012/13	3,860,000	1,328,668	5,188,668	58,008,005	8.94%
2013/14	3,940,000	1,109,600	5,049,600	59,759,430	8.45%

Source: District records.

YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT
 COMPUTATION OF DIRECT AND OVERLAPPING DEBT
 GENERAL OBLIGATION BONDS

June 30, 2014

Jurisdiction	Debt Outstanding
<u>Direct Debt:</u>	
Yavapai County Community College District	\$ 32,670,000
Total direct debt	32,670,000
<u>Overlapping Debt(1):</u>	
School Districts	113,315,000
City of Prescott	520,000
Total overlapping debt	113,835,000
Total direct and overlapping debt	\$ 146,505,000

Source: Yavapai County Treasurer's Office and City of Prescott.

Note 1: Excludes improvement districts.

YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT
 REVENUE BOND AND PLEDGED REVENUE OBLIGATIONS COVERAGE
 Last Ten Fiscal Years

Fiscal Year	Pledged Revenues (1)	Debt Service Requirements (2)		Total	Coverage
		Principal	Interest		
2004/05	\$ 7,963,710	\$ 135,000	\$ 88,401	\$ 223,401	35.65
2005/06	8,942,844	145,000	80,418	225,418	39.67
2006/07	9,137,014	155,000	71,755	226,755	40.29
2007/08	8,092,973	160,000	62,580	222,580	36.36
2008/09	7,025,586	170,000	52,800	222,800	31.53
2009/10	8,521,468	180,000	42,300	222,300	38.33
2010/11	9,290,001	285,000	158,529	443,529	20.95
2011/12	9,644,951	1,265,000	613,256	1,878,256	5.14
2012/13	10,864,393	880,000	560,406	1,440,406	7.54
2013/14	10,751,131	1,190,000	656,981	1,846,981	5.82

Source: District records.

Note 1: Pledged revenues include tuition and fees, bookstore revenues, food service sales, dormitory rentals, and other income and are reported net of scholarships and allowances per GASB Statement Number 35.

Note 2: Pledged revenue obligations issued April 16, 2011 and revenue bond issued June 13, 2013.

YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT
 ECONOMIC INDICATORS FOR YAVAPAI COUNTY
 June 30, 2014

Employment by Sector	Employees
Trade, Transportation and Utilities	12,100
Education and Health Services	10,600
Government	10,000
Leisure and Hospitality	8,100
Mining and Construction	4,500
Manufacturing	3,300
Other Services	3,300
Professional and Business Services	2,900
Financial Activities	1,600
Information	600

Employment by Occupation	Percent of Total
Office and Administrative	15.2%
Sales and Related	12.0%
Food Preparation and Serving Related	11.7%
Education, Training, and Library	7.3%
Transportation and Material Moving	6.3%
Healthcare Practitioners and Technical	6.1%
Construction and Extraction	5.8%
Other	5.6%
Management	4.8%
Installation, Maintenance, and Repair	4.3%
Production	3.9%
Building, Grounds and Maintenance	3.8%
Personal Care and Service	3.6%
Protective Service	3.6%
Healthcare Support	3.5%
Business and Financial Operations	2.5%

Unemployment Rate	7.1%
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Labor Force	91,447
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Source: Arizona Department of Commerce and United States Department of Labor.

YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT
 PRINCIPAL EMPLOYERS IN YAVAPAI COUNTY
 Current Year and Nine Years Ago

Major Employers	FY 2013/14			FY 2004/2005		
	Employees	Rank	Percent of Total County Employment	Employees	Rank	Percent of Total County Employment
Yavapai County	1,424	1	1.56%	1,213	1	1.48%
Yavapai Regional Medical Center	1,353	2	1.48%	730	4	0.89%
Veterans Medical Center	932	3	1.02%	550	6	0.67%
Cyprus Bagdad Copper Mine	876	4	0.96%	535	7	0.65%
Verde Valley Medical Center	839	5	0.92%	351	10	0.43%
Humbolt Unified School District	644	6	0.70%	-	-	-
Sturm Ruger & Company	631	7	0.69%	1,176	2	1.44%
Walmart	585	8	0.64%	410	8	0.50%
Yavapai College (1)	560	9	0.61%	831	3	1.02%
State of Arizona	558	10	0.61%	330	11	0.40%
Prescott Unified School District	-	-	-	573	5	0.70%
City of Prescott	-	-	-	385	9	0.47%
Total	8,402		9.19%	7,084		8.65%

Source: District and the listed employers records.

Note 1: For FY 2004-05 the District reported the number of employees on a head-count basis and for FY 2013-14 the District reported the number of employees on a full-time equivalent basis.

YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT
 MISCELLANEOUS STATISTICS
 June 30, 2014

Established	July 1, 1966
Geographical Location	West Central portion of Arizona
County Seat	Prescott

Population	2000	2010	2013
Yavapai County	167,517	211,144	215,133
State of Arizona	5,130,632	6,392,017	6,626,624

Age Distribution*	% of Total
0-14	14.3%
15-24	10.1%
25-44	18.1%
45-64	30.4%
65+	27.1%

Population Composition *	% of Total
<u>RACE</u>	
White	79.9%
Hispanic	14.0%
African American	0.8%
Native American	2.1%
Asian or Pacific Islander	1.1%
Other	2.1%
TOTAL	100.0%

Source: US Census Bureau and Arizona Department of Economic Security.

YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT
 POPULATION AND PERSONAL INCOME FOR YAVAPAI COUNTY
 Last Ten Fiscal Years

Fiscal Year	Population	Personal Income (amounts expressed in thousands)	Per Capita Personal Income (1)
2004/05	187,822	\$ 4,681,083	\$ 24,923
2005/06	195,424	5,278,898	27,013
2006/07	204,082	5,816,674	28,502
2007/08	208,773	6,332,616	30,333
2008/09	211,211	6,627,607	31,379
2009/10	211,172	6,034,069	28,574
2010/11	211,144	6,015,150	28,488
2011/12	211,888	6,248,490	29,490
2012/13	212,637	6,227,459	29,287
2013/14	215,133	6,759,031	31,418

Source: Bureau of Economic Analysis and US Census Bureau

Note 1: Personal Income and Per Capita Personal Income were not available for fiscal year 2013/14. Amounts were estimated based upon the prior 4 year average net change.

YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT
STUDENT ENROLLMENT, DEGREE AND DEMOGRAPHIC STATISTICS
Last Ten Fiscal Years

Fiscal Year	Attendance		Gender		Residency			
	Full-Time	Part-Time	Male	Female	Resident	Out of County	Out of State	Foreign
2004/05	19.0%	81.0%	38.2%	61.8%	84.7%	5.1%	9.8%	0.4%
2005/06	17.8%	82.2%	38.1%	61.9%	82.5%	4.5%	12.6%	0.4%
2006/07	15.3%	84.7%	38.9%	61.1%	82.9%	4.2%	12.5%	0.4%
2007/08	16.3%	83.7%	39.0%	61.0%	90.2%	4.3%	5.0%	0.5%
2008/09	17.7%	82.3%	40.2%	59.8%	82.4%	4.4%	12.8%	0.4%
2009/10	23.2%	76.8%	40.7%	59.3%	90.4%	4.9%	4.7%	0.0%
2010/11	22.9%	77.1%	42.9%	57.1%	87.5%	6.9%	5.5%	0.1%
2011/12	26.9%	73.1%	43.0%	57.0%	86.4%	6.9%	6.6%	0.1%
2012/13	21.0%	79.0%	43.7%	56.3%	85.9%	11.5%	2.5%	0.1%
2013/14	20.0%	80.0%	44.0%	56.0%	85.9%	11.4%	2.6%	0.1%

Fiscal Year	Degrees Awarded	Certificates Awarded
2004/05	304	161
2005/06	340	210
2006/07	344	183
2007/08	404	307
2008/09	423	399
2009/10	458	594
2010/11	454	623
2011/12	518	608
2012/13	486	823
2013/14	536	933

Fiscal Year	Age		Ethnic Background					
	Median	Mean	American Indian	Asian American	Hispanic	African American	White	Other/Unknown
2004/05	35	39	3.1%	1.0%	5.4%	0.9%	77.6%	12.0%
2005/06	35	39	2.7%	1.0%	5.9%	0.8%	76.2%	13.4%
2006/07	36	39	2.5%	1.2%	6.6%	0.8%	74.4%	14.5%
2007/08	31	37	2.5%	1.5%	6.9%	1.1%	81.7%	6.3%
2008/09	30	36	3.0%	1.4%	8.2%	1.0%	80.4%	6.0%
2009/10	30	36	2.2%	1.2%	6.5%	0.9%	76.5%	12.7%
2010/11	26	33	2.6%	0.9%	8.9%	0.9%	65.5%	21.2%
2011/12	27	33	2.2%	0.9%	10.2%	0.9%	62.7%	23.1%
2012/13	26	32	2.1%	1.1%	11.4%	0.8%	57.4%	27.2%
2013/14	25	33	2.0%	0.9%	12.4%	0.9%	53.3%	30.5%

Source: District records.

YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT
HISTORIC ENROLLMENT
Last Ten Fiscal Years

	2013/14	2012/13	2011/12	2010/11	2009/10	2008/09	2007/08	2006/07	2005/06	2004/05
Headcount	11,518	11,764	11,616	12,973	13,493	14,139	15,582	16,312	15,936	13,398

FTSE by Campus	2013/14	2012/13	2011/12	2010/11	2009/10	2008/09	2007/08	2006/07	2005/06	2004/05
Prescott	1,446	1,479	1,605	1,894	2,396	2,317	2,137	2,096	1,942	1,882
Verde	278	289	337	453	652	690	658	685	687	621
Sedona	21	42	25	40	90	102	107	135	129	125
Prescott Valley	208	175	198	220	265	330	307	316	260	289
Chino Valley	79	101	106	120	108	114	113	117	120	121
Elderhostel (1)	-	-	-	-	-	-	-	72	112	95
CTEC (2)	305	250	196	152	138	137	111	-	-	-
Online (3)	1,162	1,143	1,095	915	-	-	-	-	-	-
Dual enrollment	331	321	245	200	140	170	167	125	33	4
Other (4)	173	184	167	212	131	25	90	71	69	94
Total District	4,003	3,984	3,974	4,206	3,920	3,885	3,690	3,617	3,352	3,231

Source: District records.

Note 1: The Elderhostel program was terminated in 2006/07.

Note 2: The Career Technology Education Center began operations in 2007/08.

Note 3: Beginning in Fiscal Year 2010-11 FTSE from online classes is being counted as a separate campus. In previous years online courses were credited to the campus that originated the course.

Note 4: Other primarily includes courses held at non-campus locations.

YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT
 FACULTY AND STAFF STATISTICS
 Last Ten Fiscal Years

	2013/14	2012/13	2011/12	2010/11	2009/10	2008/09	2007/08	2006/07	2005/06	2004/05
Faculty										
Regular	106	111	111	107	104	104	101	102	97	97
Adjunct (1)	99	97	405	394	448	476	523	474	330	342
Staff										
Regular	297	298	295	303	334	329	318	317	284	307
Temporary (1)	58	58	119	119	160	182	180	177	188	198

Source: District records.

Note 1: Beginning FY 2012-13 Adjunct and Temporary are calculated on a full-time equivalent basis.
 The FTE for Adjuncts is based upon a full-time teaching load of 30 credit hours per year.

YAVAPAI COUNTY COMMUNITY COLLEGE DISTRICT
CAPITAL ASSET INFORMATION
Last Ten Fiscal Years

Asset Type	2013/14	2012/13	2011/12	2010/11	2009/10	2008/09	2007/08	2006/07	2005/06	2004/05
Computers and Peripherals	\$ 1,196,160	\$ 1,238,803	\$ 1,279,780	\$ 1,316,755	\$ 1,316,755	\$ 1,225,045	\$ 1,452,005	\$ 1,161,346	\$ 1,173,513	\$ 979,865
Network Equipment	2,359,675	2,255,702	1,979,635	1,568,339	1,056,006	754,356	1,127,448	1,118,033	1,155,303	1,144,747
Audio Visual Equipment	831,455	755,579	624,112	503,250	396,971	175,567	480,767	481,299	506,007	541,896
Office Equipment & Furniture	4,435,695	4,397,372	4,216,286	4,163,415	3,680,275	3,773,462	3,652,534	2,876,657	2,638,552	2,333,641
Software	2,149,148	2,149,148	2,149,148	2,149,148	2,022,682	1,918,654	1,286,076	-	-	-
Vehicles	1,597,998	1,383,983	1,220,435	1,295,120	1,224,785	1,182,290	1,214,607	1,136,409	1,094,994	1,089,436
Intangibles	273,587	273,587	273,587	273,587	273,587	-	-	-	-	-
Library Books	2,931,383	3,038,624	3,087,336	3,116,031	3,055,742	2,981,169	2,916,756	2,762,515	2,647,200	2,528,669
Buildings	146,564,885	137,801,065	108,127,652	103,095,447	102,836,523	98,435,112	98,123,350	93,591,763	78,882,085	64,944,116
Construction in Progress	6,072,505	3,515,542	22,042,850	4,427,807	613,644	2,927,638	834,346	12,239	7,779,699	18,097,827
Site Improvements	17,367,536	16,836,358	16,573,720	15,973,540	15,630,928	14,981,222	14,607,058	14,231,150	12,710,508	4,729,052
Land	5,415,888	5,415,888	5,415,888	5,015,888	5,015,888	5,015,888	3,597,041	1,975,535	1,975,535	1,975,535
	\$ 191,195,915	\$ 179,061,651	\$ 166,990,429	\$ 142,898,327	\$ 137,123,786	\$ 133,370,403	\$ 129,291,988	\$ 119,346,946	\$ 110,563,396	\$ 98,364,784

Source: District records.